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NEWS SUMMARY

GENERAL

Uganda troops 'face attack'

Tanzania said last night that it had launched a major offensive against Ugandan troops which have invaded its territory. The move came after the Tanzanians failed to cross the Kagera river, when, according to the Ugandans, their boats were destroyed.

In Rhodesia, black nationalist guerrillas attacked a house eight miles from the centre of Salisbury, the first raid within the city's boundaries. An elderly woman was seriously wounded. **Page 2**

Gaullist move

The Gaullist RPR Party, largest member of the ruling French coalition, has called on the EEC heads of government to make clear that a directly-elected European Parliament will not be given additional powers. **Back Page**

Sir Henry Plumb, president of the National Farmers' Union, is expected to announce on Thursday that he is giving up the post to seek a Tory nomination for the European Parliament.

Cenotaph march

The Queen and members of the Royal Family laid wreaths at the Cenotaph in Whitehall in tribute to the dead of two World Wars. Later, the National Front marched through Westminster to hold a Cenotaph service. Anti-Nazi League supporters tried to force their way through a six-deep cordon of about 2,000 policemen. Though constables lost helmets, there was no serious trouble.

SNP chief quits

Mr. William Wolfe, Scottish National Party chairman, is to resign after 11 years, but will accept nomination as party president. He said his decision had nothing to do with the party's vote against the Government on the Queen's Speech, against the wishes of its executive.

Indira arrives

Demonstrators and supporters of Indira Gandhi, the former Indian Prime Minister, failed to catch a glimpse of her at Heathrow, arrived for an eight-day visit. Her car, under heavy police escort, was driven through a cargo tunnel. Asked whether she planned a political comeback, Mrs. Gandhi replied: "Comeback? I have never gone."

Benefits go up

Old age and widows' pensions, sickness and unemployment benefits, and all other social security benefits go up from today when the annual revaluation of benefit levels comes into operation. **Page 4**

Ward wins prize

Mr. George Ward, managing director of Grunwick, the film-processing company which was the scene of a two-year dispute, has won a £500 Ross McWhirter award, given for "the exercise of personal initiative and leadership."

Missing out

Miss Tunisia may be dropped from Thursday's Miss World contest after she failed to appear in tee-shirt and shorts for a parade at London's Waldorf Hotel. Malak Nemlagthi said she was told: "Take off your yashmak or you are finished."

Briefly . . .

This year's **Beaujolais**, available from Wednesday, is excellent, according to French Premier Raymond Barre. Stocks are expected to be plentiful.

Mothers and babies were rescued when fire broke out near the maternity wing of St. Peter's Hospital, Chertsey, Surrey.

Police are investigating a barn fire which caused £1,200-worth of damage at Gatcombe Park Farm, Princess Anne's estate near Stroud, Glos.

BUSINESS

Vauxhall workers agree pay deal

● **VAUXHALL** engineering workers at Ellesmere Port have agreed to an 8.5 per cent pay offer made to the company's 26,000 manual workers. However, a strike by 900 skilled workers over differentials is due to begin today, with a further 3,500 men at Luton and Dunstable deciding whether to join them.

Strikers at the Austin-Morris Drews Lane plant in Birmingham, who have caused 20,000 workers to be laid off, are expected to meet this week. Ford has 23 plants idle with 57,000 men laid off but no talks planned as the strike enters its seventh week. **Page 38**

● **HEATING** and ventilation engineers have won a "special case" wage increase of 30 per cent, of which 16 per cent is payable now and the rest in August. **Page 38**

● **BRISTOL** registered dockers have submitted a pay claim of over 15 per cent, in line with dock workers at Hull and Southampton. The Bristol dockers' package includes a demand for a 35-hour week. **Page 38**

Exchange control review

● **BRITAIN'S** remaining exchange controls with the rest of the Common Market are to be reviewed later this month at talks in London between the Treasury and EEC Commission officials, but few relaxations are considered likely. Last December's changes have led to an estimated £240m outflow on capital account this year. **Back Page**

● **NEW** monthly exchange rate analysis, the Exchange Rate Outlook, has warned that the present sterling exchange rate is vulnerable on grounds of competitiveness. **Page 4**

Textile delegation

● **DELEGATION** representing 13 local authorities in the North West of England and Yorkshire is to meet EEC trade officials this week to press for stricter enforcements of EEC agreements covering textile imports. Employment in the Lancashire textile industry has fallen by 10 percent in the past year. **Back Page**

● **JAPANESE** Government is to shelve for three years repayment on Y3.28bn worth of loans to Ichimura Sangyo, the ailing textile trading house. **Page 35**

● **COMPUTING** techniques introduced into industry are likely to raise unemployment to 2.5m to 3.5m, according to a report commissioned by the Department of Industry. The report, which is critical of the Government's failure to draw up an adequate policy for the computing, telecommunications and electronics industries, warns that if the UK were overtaken by countries with better integrated policies, even worse unemployment could result. **Back Page**

● **CBI CAMPAIGN** to recruit accounting firms as confederation members is meeting with strong resistance from some leading auditors. **Back Page**

● **UNITED TECHNOLOGISTS** of the U.S. has announced the formal start of its $1bn takeover bid for Carrier Corporation, the world's largest air conditioning manufacturer. **Page 35**

● **MITSUBISHI** Heavy Industries and Mitsubishi Electric have won a $190m order for thermal power plant from China. **Page 3**

● **SCANDINAVIAN** pulp and paper industry is confident of a recovery next year, after two years of hearvy losses. **Page 3**

UK to claim present monetary system scheme unworkable

BY SAMUEL BRITTAN and PETER RIDDELL

The Government will justify its almost certain decision not to join the proposed European Monetary System on the grounds that the scheme is at present in an incomplete and unworkable state.

The Prime Minister is expected to base his statement to other EEC Heads of Government at their summit meeting in Brussels in three weeks' time on the following points:

1—The studies started after the Bremen Summit in July have not yet succeeded in resolving all the technical and economic problems.

The scheme likely to be agreed is too similar to the present European joint float, the Snake, to be durable, in view of the economic differences in the EEC.

The system will be in a complete and workable state only when a concerted strategy for economic convergence and a better balance of resource transfers in the Community have been agreed.

2—The studies on the proposals should continue next year, and when they have reached a successful conclusion the UK will be ready to join. The timing will also depend on when the UK's economic performance, especially its inflation rate, shows signs of a sustained convergence with the rest of the EEC.

3—Britain will not seek to hold up the start of the system, even though at present it amounts to an enlarged Snake. This reflects a recognition of Franco-German determination to press ahead in early 1979.

These points have been made plain by both the Prime Minister and by Mr. Denis Healey, the Chancellor, during the current series of intensive talks with both likely participants such as West Germany and France and with waverers like Italy and Ireland.

The likely British decision to stay out has created difficulties for both Italy and Ireland.

In particular, there has been some irritation on the Continent about the apparent British hostility to proposals for an optional 4.5 per cent band for currencies outside the present Snake, in addition to the 2.25 per cent central band.

This idea was proposed by Italy and accepted in a modified form by France and Germany.

The Italian Government's attitude has been moving against participation in recent days in spite of the previous strong support in principle of Sig. Giulio Andreotti the Premier.

There have been growing technical reservations, and concern that if the UK does not join the lira might have to be devalued while if the UK participated there might be a more general realignment.

Indeed the Italian Socialists have said that Italy should not join without the UK, while the Communist Party is opposed to the present proposals.

The Irish decision still appears finely balanced after last week's visits to Paris, Bonn and London by Mr. George Colley, the Irish Finance Minister.

The Irish Government wants to be a full member, and has received some rather indefinite assurances from Bonn about an increased transfer of resources to the Republic.

But there would be considerable difficulties, notably over exchange controls, if Ireland joined and the UK did not, so Mr Colley told Mr Healey last week that Ireland would prefer not to suffer the disruptions that would follow a detachment of the Irish pound from sterling.

A British decision against entry has become even more likely in the last week following the signs that a majority of the EEC definitely backs a tighter

Continued on Back Page

Ireland and the "supersnake"
Page 12

Pay explosion could mean spending cuts, says Healey

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. DENIS HEALEY, the Chancellor, said yesterday that there would have to be further fiscal and monetary measures, including a rise in taxes or a cut in public expenditure, or both, if there was a runaway wage explosion.

However, Mr. Healey said he did not think there was any sign whatever of a return to the "catastrophic" explosion in pay of three years ago because companies now simply did not have the money they had then.

He made it clear that "to the extent we control the budget and money supply," excessive wage increases would "inevitably lead not just to higher prices but higher unemployment," as well as fiscal and monetary measures.

He refused to be drawn as to when such action might be taken.

Price rises

In an interview with the London Weekend Television programme Weekend World, Mr. Healey said he was not threatening nor even warning but "just describing the laws of arithmetic."

Mr. Healey said excessive wage increases would generate price rises which would be damaging to the whole country.

"I would have to bring the economy into balance by taking spending power, which people had injected into the economy through wage increases, out of the economy through increases in taxation."

The Chancellor's words effectively amount to a warning, however, and go significantly further than his low-key speech to the Commons last Thursday.

They come on the eve of a special meeting of the TUC General Council to-morrow to discuss the result of the lengthy talks between Ministers and TUC leaders.

These ended on Friday and are shortly expected to lead to a joint declaration on fighting inflation.

Mr. Healey refused to abandon hope "at the moment" on the chances of achieving a 7 per cent rise in earnings in the current round.

"Don't forget that the companies which appear to be likely to break the guidlines this year are precisely the ones which did last year, that's to say Ford, British Oxygen. We haven't had as many breaches of the policy this year as we had last year by November.

"But then again we've had a lot fewer settlements, and a lot of people are waiting to see what happens."

Mr. Healey also went further than last Thursday in explaining the 2½ points rise in Minimum Lending Rate to 12½ per cent.

Apart from the recent increase in market rates he also pointed to "evidence, in the last month or two, that the banks have been lending a bit more money to people in the country than is compatible with keeping the money supply under control and keping inflation down."

Overdrafts

The clearing banks will see how the level of short-term interest rates settles down early this week before deciding whether to lift their overdraft rates again, following the rise in their base lending rates from 10 to 11½ per cent early this month.

The Government's economic strategy was attacked yesterday by Sir Geoffrey Howe, the Shadow Chancellor. He accused Mr Healey of running the economy with "the competence and consistency of a manic-depressive."

Sir Geoffrey said the rise in interest rates was a direct consequence of the Government's trying to borrow too much and to pursue a monetary and public-spending policy wholly inconsistent with this.

Labour News, Page 38

Dell's successor likely to take harder line on worker directors

BY ELINOR GOODMAN, LOBBY STAFF

THE REPLACEMENT of Mr. Edmund Dell by Mr. John Smith as Trade Secretary may mean that industry receives a somewhat less sympathetic hearing in Whitehall when arguing against the Government's proposed legislation on industrial democracy.

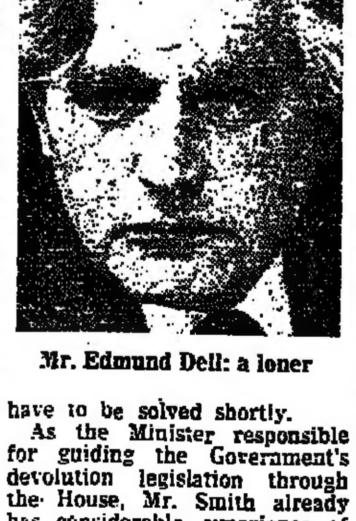
Both men occupy roughly the same position at the centre of the Labour Party.

Mr. Smith, however, is far more political than Mr. Dell, who is to rejoin the Guinness Peat Group where he will eventually succeed Lord Kissin as chairman.

Mr. Smith may be more likely to see the political dangers of being too closely identified with the Confederation of British Industry than Mr. Dell, whose disenchantment with political in-fighting has been obvious almost since he became an MP in 1964.

At a private meeting last week between Mr. Albert Booth, the Employment Secretary, and Mr. Dell, the central question of whether or not worker directors should be restricted to union representatives was left open.

Legislation on industrial democracy was promised in the Queen's Speech. While, even within the Labour Party, there is some scepticism about whether the Prime Minister really expects to get such legislation on the statute book before an election, a Bill is expected before Easter. This means that the question of who is eligible for election to the Board will have to be solved shortly.



Mr. Edmund Dell: a loner

As the Minister responsible for guiding the Government's devolution legislation through the House, Mr. Smith already has considerable experience of dealing with contentious legislation. His success with the devolution Bill has no doubt contributed to his swift rise to Cabinet rank.

At 40, he becomes the youngest member of the Cabinet, and his appointment cements his reputation as one of the party's brightest young MPs.

His appointment, along with that of Mr. Tom Pendry, as an extra Under-Secretary at the Northern Ireland Office, would also seem to suggest that there will not be another Cabinet reshuffle before the election.

Last night, some Labour Left wingers were predictably criticising Mr. Dell for his lack of Party loyalty. Mr. Dell, who worked in ICI and banking before being promoted to Secretary of Trade by Mr. Callaghan in 1976, has never worked to build up a base of support for himself within the party. Although widely acknowledged as being able, he was always seen as being essentially a loner.

While some of his Cabinet colleagues thought he had the intellectual ability to become Chancellor, there was a feeling that Mr. Dell lacked the political antennae needed for the job. For this reason, his decision to resign did not surprise his close colleagues.

Mr. Dell was approached about the Guinness Peat job last month. In his letter of resignation, he said that he would have been prepared to stay on as Trade Secretary until the next election provided that he had been able to make his future plans public.

He accepted the Prime Minister's view, however, that it was better that he should resign as a Minister while staying on as MP for the safe seat of Birkenhead until the election.

Editorial comment and Men and Matters, Page 12

News Analysis, Page 6

IATA chief's warning to U.S.

By Michael Donne, Aerospace Correspondent

GENEVA, Nov. 12.

A BIG confrontation is likely between the world's airlines and the U.S. Government if the U.S. pursues its present "uncompromising free trade convictions" and tries to impose them on foreign countries.

This warning is given by Mr. Knut Hammarskjold, director-general of the International Air Transport Association, in his annual report on the state of the world air transport industry, to be presented to the annual meeting of the association in Geneva tomorrow.

Mr. Hammarskjold's views have been given added point by the resignation from IATA of Delta Air Lines of the U.S., the third largest airline in the Western world, which could be followed by similar decisions by other big U.S. airlines.

Delta's decision stemmed from its belief that IATA now has a "reduced effectiveness" in view of changing world market conditions, especially where fixing fares is concerned.

Mr. Hammarskjold tells the 108 member-airlines that the "sweeping wind of change" in the U.S has already resulted in greater competition and cheaper fares on domestic routes there.

The U.S. was now trying to extend this policy into the international market-place, even where conditions were not ripe for it, with the result that there could be "confusion and confrontation" with the airlines, resulting in long-term damage to the air transport system.

Idealism

The objectives of the new American negotiating policy—"which appear as a blend of liberal idealism and commercial market-share policy"—had been formally set out during 1978.

They involved international de-regulation in air transport, increased competition, more scope for charter flights, no restraints on the number of seats offered, and minimum Government involvement in setting fares.

In addition, it was possible that the U.S. would seek to impose its anti-trust laws on the world's airlines by claiming that their membership of IATA's fares-fixing conferences were contrary to the public interest.

The U.S. Civil Aeronautics Board had already issued a "show cause" order, finding that the IATA traffic conferences were no longer in the public interest and should no longer be approved by the board. IATA and other interested parties had been directed to show by December 20 why the board

Continued on Back Page

Editorial comment, Page 12

Iran oilfields strike may end shortly

BY ANDREW WHITLEY TEHRAN, Nov. 12.

THE STRIKE in Iran's oilfields which has seriously hampered production for the past 12 days appears to be crumbling, according to reports reaching here today.

The reports will give heart to the new military Government which has been trying to restore normality to Iran after a month of rioting and strikes. Diplomats in Tehran have confirmed predictions by the State-run National Iranian Oil Company that key oil production workers would start returning to work today.

None the less, there have also been reports of violent clashes between militant strikers and troops which suggests that there is still a considerable way to go before normal production is assured. Senior industry officials in Ahwaz were also reported as saying that "only a handful" of workers had reported for work early today, despite the military Government's 7 a.m. deadline for ending the strike.

The National Iranian Oil Company set the back-to-work deadline three days ago, warning strikers that they faced dismissals and arrest. The company, speaking for the new military Government, also said that strikers living in company houses would be evicted with their families.

There were no immediate reports of arrests or evictions in Ahwaz, which is at the centre of the southern oilfields. But despite the trickle of returning workers, a report by the official news agency PARS that all staff and labourers in Ahwaz had returned, seemed premature.

Production does appear to be on the increase again, however, with yesterday's output said to be 2.3m barrels and three supertankers loading at the main export terminal of Kharg Island. At its worst the four-week-old strike reduced production to only one sixth of normal levels.

Another important sign of a return to normality was the ending today of a 10-day stoppage by the State airline, which grounded all its domestic and international flights. Tehran Airport officials say it will be some days before operations are completely back to normal but on the first day back there were over 20 domestic flights.

Large areas of Tehran, however, were today blacked out temporarily by striking electricity workers, acting in response to a call by the main political opposition group, the National Front, to continue industrial action as part of the campaign against the Shah's regime.

The important bazaar area was also closed today, presumably as a mark of protest against the arrest last night of Dr. Karim Sanjabi, the National Front's leader. Dr Sanjabi was arrested by an army general at his home in Tehran, shortly before a Press conference to give details of an understanding reached between the Front and the exiled religious leader Ayatullah Khomeini, in Paris.

In his statement which was to have been delivered yesterday, Dr. Sanjabi stated categorically that the opposition movement would not participate in any form of government under the "illegal monarchy."

In Paris, the National Front claimed today that at least 12 people died in Saturday's general strike. In a communique, the Front said that eight people were killed at Babol, three at Ahwaz and one at Mahallat.

Military chiefs face deadlock. Page 2

Dunlop Speke plant jobs in jeopardy

BY OUR INDUSTRIAL STAFF

DUNLOP is understood to be ready to close its plant at Speke on Merseyside, where 2,400 are employed, as part of a major rationalisation of its tyre production in the UK.

The move comes only six weeks after the group reported that its British, Irish and German tyre companies all made losses in the first half of 1978. Only the French tyre operations made a small profit.

The downturn in the tyre division accounted for all the £10m fall to £22m in taxable profits in the half-year.

Dunlop blamed over-capacity in the European tyre industry and cheap East European imports, "priced at levels which could barely cover manufacturing costs."

The outlook for the tyre business—accounting for about half of Dunlop's capital employed but only around one-sixth of profits—remains bleak.

Dunlop employs around 11,000 in its tyre operations in the UK—more than half of them at Fort Dunlop in Birmingham—and has 23 per cent of the market. The other plants are at Inchinnan in Scotland, Washington in the North-East, and Speke.

CONTENTS OF TODAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

Kenyan President in Paris

By David White

PARIS, Nov. 12.

PRESIDENT Daniel arap Moi of Kenya tomorrow begins three days of talks with French Government and business leaders. The visit (President Moi's first trip abroad since taking office early last month) is being given considerable importance by French officials, who expect talks to focus on the problems of the Horn of Africa. President Valery Giscard d'Estaing's proposal for a seven-nation conference on the region and on France's military role in her former colony of Djibouti.

The visit is the first one to France by a Kenyan Head of State and President Moi will meet President Giscard on Tuesday. Tomorrow he will have talks with M. Louis de Guiringaud, the Foreign Minister, and M. Yvon Bourges, Defence Minister.

Events in southern Africa and peace prospects in the Middle East are also likely to figure in the talks, as are ways of increasing trade links between the two countries. Kenya has recently bought French radio equipment and ground-to-ground anti-tank missiles.

France's proposal for a Horn of Africa conference, which would include Kenya, has already been put to the Presidents of Somalia and Ethiopia.

President Moi is due to continue his trip in Brussels, for talks with EEC leaders on Thursday, and to London at the end of the week.

His visit to Paris follows closely that of General Felix Malloum, President of Chad, where renewed fighting has been reported between French-backed Government troops and guerrillas of the Libyan-assisted National Liberation Front (Frolinat).

Four French soldiers were reported wounded in a clash in the Abeche region last weekend. Earlier this year, France sent heavy reinforcements of paratroopers, legionnaires and fighter aircraft to back up its team of military advisers, bringing the total French force in the country to about 1,500 men.

President Malloum's talks with M. Giscard d'Estaing on Friday took place against a background of tension between the Chad leader and M. Hissene Habre, a former guerrilla recently appointed Prime Minister in an attempt to reach a conciliation with the mainly Arab rebels.

WHITE FARMERS IN ZAMBIA

Threat to stop crop planting

BY MICHAEL HOLMAN

NGWERERE, Nov. 12.

ANGRY WHITE farmers today threatened to stop crop planting unless Zimbabwe African People's Union (ZAPU) guerrillas were removed from Zambia's commercial farming areas.

Sixty farmers and their wives met at The Ngwerere Club, near Lusaka, to protest at yesterday's abduction and beating—allegedly by ZAPU guerrillas—of one of their fellows. It was the latest of a number of incidents in which at least 20 whites, including six farmers, have been molested or harassed by guerrillas or Lusaka street mobs. In one case a leading farmer was allegedly assaulted by members of the Zambian Army when visiting the city's industrial area.

Representatives of the farmers hope to meet President Kaunda for a second time in a week to pass on the threat and request increased protection.

Few observers believe either that the 8-10,000 ZAPU guerrillas will be moved, or that the farmers will carry out their threat. But the disruption to farm life caused by assaults and threats and the possibility of white emigration could seriously affect agricultural output in Zambia.

There are 300 commercial farmers (mainly white) in the country. Despite a fall in their number from 1,200 at independence in 1964, they account for 60 per cent of marketed agricultural production, including a third of the country's maize crop, which provides the staple diet for the 5.6m Zambians.

Recent Rhodesian bombing raids on ZAPU installations, accompanied by rumours that Rhodesian "agents" are now operating in disguise in and around Lusaka, has led to considerable tension. In the wake of the raids more guerrillas are carrying arms in public, as well as setting up unauthorised road blocks in farming areas around Lusaka and on the road south.

Today's gathering at the club, which provides bowls, squash, tennis and cricket for local farmers, bore a bizarre resemblance to a meeting of farmers in Rhodesia. Angry men complained bitterly about "terrorists" and "thugs" and demanded increased protection from the police and army.

The farmers pulled no punches. "If they (ZAPU) take over Zimbabwe now, God help Zimbabwe because they are a bunch of bloody thugs," one declared. "Who is going to be the next President of this country—(ZAPU leader) Nkomo or President Kaunda?" asked another, while a third threatened to burn his farm "to the ground" before emigrating unless something was done. Citing cases in which Zambians had been assaulted, the chairman pointed out: "It's not only you that's been hit, it's the Zambians as well."

In a separate development it was claimed today that guerrillas caught in the Rhodesian strike against Mr. Joshua Nkomo's training camp last month believe they were "set up" for the attack by Mr. Nkomo himself.

A nationalist informer, recently returned from Zambia, was quoted by the Rhodesian Sunday Mail as saying that the camp was staffed with dissidents who wanted to support the transitional Government and by followers of the murdered former Zipra military commander, Nikita Mangena.

Meanwhile, in a further move towards increased economic co-operation in the region, President Kaunda, President Neto of Angola, and President Mobutu of Zaire, will meet in Lusaka next week-end to discuss economic issues.

Presidents Mobutu and Neto held talks in Angola last month to consolidate the rapprochement between their two countries, which includes the re-opening of the Benguela Railway to the Angolan port of Lobito. The line which, until its closure in 1975 served Zambia's copper mines, re-opened last week.

Diplomats here say that President Kaunda has taken a quiet but significant part in improving the relationship between Angola and Zaire, which reached its lowest ebb during the invasion of copper-rich Shaba province by Angola-based rebels in May.

Guerrillas hit Salisbury

BY TONY HAWKINS

SALISBURY, Nov. 12.

BLACK NATIONALIST guerrillas today made their first attack within Salisbury's city boundaries. They attacked a house with rockets and small arms fire, seriously wounding an elderly woman, military headquarters announced. The house, in the well-to-do suburb of Umwinsidale, some eight miles from the city centre, was seriously damaged.

Meanwhile, Bishop Abel Muzorewa, leader of the United African National Council, warned this weekend that the transitional government faces a "crisis week" over the timing of one-man one-vote elections.

Universal suffrage elections are scheduled to be held early next month in time for a hand-over to majority rule on December 31.

Two weeks ago Prime Minister Ian Smith warned that for "purely mechanical reasons" it would be impossible to meet this timetable. Speaking on the 13th anniversary of UDI on Saturday, he said he believed elections would have to be delayed for "only a few months."

But Nationalist sources within the UANC have claimed that any attempt to postpone the election date will jeopardise the entire agreement.

In his most strongly-worded statement to date on the issue Bishop Muzorewa accused the Prime Minister of creating alarm and despondency by speaking of delayed elections. "To postpone the elections is to invite disaster," he added.

The issue of elections is on the agenda for final decision by the four-man bi-racial Executive Council at its routine meeting on Tuesday.

Political sources here expect the transitional Government to agree at the meeting on a new timetable for majority rule which will push back the date by at least three months.

Iranian military chiefs face deadlock

BY ANTHONY McDERMOTT

TEHRAN, Nov. 12.

THE IRANIAN military Government of Gen. Gholam Azhari seems to have had some success on the economic front in ending the crippling oil strike in the south west of the country.

It was generally expected that today would show whether Iran was successfully returning to normal life under the tutilage of the military Government. Indeed, in the short term, the Government appears to have been reasonably successful in diffusing tension.

Nevertheless there is a growing feeling within the Government that the country is on the brink of a political impasse which will make it increasingly hard for the military Government to hand over to civilians.

The Shah is reported to be deeply disappointed with the results of the talks in Paris between Dr. Karim Sanjabi, the leader of the opposition National Front, and the exiled religious leader, Ayotallah Rohollah Khomeini.

The Shah had hoped that Dr. Sanjabi would have manoeuvred himself sufficiently away from the Ayotallah's implacable opposition to open up the possibility of his being invited to join a transitional Government. Instead, he issued a statement which resulted in his arrest yesterday evening, just half an hour before a crowded news conference was due to be held at his home.

This statement was carefully and ambiguously worded so as not necessarily to demand the outright removal of the Shah. But Gen. Azhari apparently believed that it would be interpreted in the present mood of the country as constituting an intolerable call for the Shah's overthrow.

It is believed that the Shah has been examining carefully all possible ways of bridging the gap between military rule and the free election he has promised by the end of next June. But he is determined not to step down and is of the view that to hand over power to a Regency Council for the two years until Crown Prince Reza reaches majority, would be tantamount to opening the way to complete military rule and thereafter to chronic instability, as successive juntas fought for power.

Meanwhile with the National Front excluded from a transitional Government, other opposition politicians of comparable standing have become themselves unacceptable. The only possible exception is the Right-wing Pan-Iranists, a small opposition breakaway faction in Parliament.

Ugandans 'repulse Tanzanian assault'

Tanzanian artillery shelled Uganda positions across the Kagera River yesterday after Tanzanian units in pontoon boats failed to make the river crossing on Friday, John Worrall reports from Nairobi.

President Amin's British-born adviser, Major Bob Astles, who was in Nairobi during the week-end, said the Tanzanian pontoon boats were destroyed and many soldiers trying to reach the river bank were eaten by crocodiles. The troops were trying to regain land seized by Uganda two weeks ago.

Amin has said he will withdraw from Tanzanian territory—he occupies 700 square miles to the River Kagera—if Nyerere pledges never to invade Uganda again and withdraws support from Uganda exiles in Tanzania.

China drought

China said yesterday it had beaten the country's worst drought in a century and brought in a bigger harvest than last year. The New China News Agency, quoted by Reuters, said the drought affected more than 40m hectares (100m acres) of farmland in the valleys of the Yangtze, Huai, Yellow and Haiho rivers. But tens of millions of people fought nature and "finally got in a bigger harvest this year than last year in grain, cotton, oil bearing crops, sugar cane and sugar beet, tobacco, and tea," the agency said.

Petrol rush

French motorists rushed to fill petrol tanks on Sunday in preparation for a week of strikes by garage owners, Reuter reports. *The strikes have been planned in protest at Government measures allowing filling stations to cut pump prices by up to 12 centimes per litre (about 12 cents per gallon).*

Italian shooting

A man shot and seriously wounded by Italian police has been identified as the brother of a suspect sought in connection with the kidnap-murder of former Prime Minister Aldo Moro, according to Reuter. Paolo Ceriani Sebregondi, 31, was hit in the body yesterday while trying to escape police who stopped him south of Rome, while at the wheel of a stolen car.

Irish growth review

The first serious prediction that the two-year Irish economic boom may be coming to an end is contained in the quarterly review of the economy by the management consultants, Coopers & Lybrand, which predicts the growth rate could fall to below 4 per cent next year—less than the OECD average, our Dublin correspondent writes. For two years the Republic has led the EEC growth rate table and this year growth rate is estimated at between 6.5 and 7 per cent. But the review believes that consumer spending, which has fuelled much of the boom is about to flatten out.

It assumes that the Government will have to increase taxes and cut subsidies as part of its strategy for reducing Ireland's high borrowing requirement.

Ship stranded

Malaysian police yesterday prevented a United Nations official from taking food and medical supplies to 2,500 Vietnamese stranded abroad a tiny freighter off the West Malaysian coast, Reuter reports. Malaysian authorities have refused permission for the 1,580 ton Hai Hong to dock at Port Klang because it is suspected that the Vienamese are not genuine refugees but migrants who paid huge sums in gold for their passage.

Polish parade

Around 15,000 people attended a service in Warsaw's St. John's Cathedral at the weekend, held to mark the 60th anniversary of Polish independence in 1918, Christopher Bobinski reports. After the service, over 2,000 people took part in an unprecedented march, unhindered by police down one of Warsaw's main streets to the tomb of the unkown soldier where wreaths were laid and the national anthem sung.

Basque bombs

The Basque separatist guerrila group ETA has claimed responsibility for a rash of weekend bomb explosions in Spain's northern region. The claim was made in a telephone call to a Bilbao newspaper, according to Reuter. Six bombs exploded in San Sebastian on Friday night outside Government ministries only hours after hundreds of thousands of Spaniards had demonstrated against guerrilla violence.

Japan-Hungary talks

The Japanese Foreign Minister, Mr. Sunao Sonoda held talks with his Hungarian counterpart, Mr. Frigyes Puja, on bilateral relations and economic co-operation, according to the Hungarian News Agency MTI, Reuter reports from Budapest. Japan is expanding its economic relations with Eastern Europe this year. A Japanese trade delegation visited Hungary and Czechoslovakia last March, and Mr. Sonoda is due to leave tomorrow for an official visit to Prague.

Tito remembers

President Tito returned to the southwestern Yugoslav town of Jablanica on Sunday where 35 years ago he led his partisan army in a historic battle which entered military textbooks as an example of his strategic skill. Dressed in his pale blue Marshal's uniform, the 86-year-old President unveiled an impressive monument on Mt. Makljen, overlooking the Neretva river, where in 1943 his 20,000 troops, protecting 4,000 wounded, were encircled by 90,000 men, Reuter reports.

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U.S. land move likely to raise price of grain

BY DAVID BUCHAN

WASHINGTON, Nov. 12.

IN A move that will raise grain prices, President Carter has decided on a modest increase in the amount of land that the U.S. Government will pay American farmers for keeping out of food production next year.

Food prices have set the pace in the U.S. inflation rate this year, yet have been specifically exempted from being monitored under the price guidelines of the President's counter-inflation programme. Nonetheless, Administration officials claim the President's decision on the 1979 "set-aside" programme—announced yesterday along with his vetoes of the three Congressional Bills as "inflationary"—will raise feed grain prices by no more than 2.5 per cent over the next two years.

The inflationary impact of the "set-aside" programme will, it is claimed, be blunted because of the bumper U.S. corn crop and increased world stocks of feed grains. Last week the Agriculture Department forecast a corn crop this year of 6.89bn bushels, compared to 6.37bn bushels last year.

President Carter has been under some political pressure to expand the set-aside programme, which supports or raises prices by restricting supply, from the vociferous farm lobby that has been calling for Government payments to let up to 30 per cent of arable land go fallow. Under the 1979 programme, grain farmers will be paid to keep up to 20 per cent of their land out of food production.

Mr. Carter has vetoed a meat import bill, which would have limited exports in any one year to 1.2bn pounds weight. The President did so on the grounds that this bill took away his scope to let more beef in in times of domestic shortage and so to keep prices down.

Another Congressional bill that the President has now moved to veto is one that would have prevented the Administration from offering any tariff cuts on textiles in the current round of the multilateral GATT trade talks in Geneva. A veto of this bill, which had been pushed through Congress by the textile protectionist lobby, was widely expected because the Administration had argued it might lead other countries, notably the European Community, to refuse other tariff concessions to the U.S. in retaliation, and so sabotage the whole negotiations.

In killing the textile bill, the President said the success of the GATT trade negotiations was "vital" to relieving inflation.

Mulder succession battle

BY QUENTIN PEEL

JOHANNESBURG, Nov. 12.

A BITTER and divisive struggle is expected within South Africa's ruling National Party (NP) following the resignation of Dr. Connie Mulder, the former Minister of Information, from the powerful position of leader of the party in the Transvaal province.

Political observers believe that the election of his successor (scheduled for November 25) is likely to centre on the division between the Verligte (enlightened) and Verkrampte (reactionary) wings of the party, in spite of a widespread desire to close ranks in the wake of the scandal over the secret operations of the former Department of Information.

The latest election in the National Party comes only two months after the contest to succeed Mr. John Vorster as Prime Minister.

Four candidates are in the contest to succeed Dr. Mulder. Mr. S. P. Fanie Botha, the Minister of Labour, and Mr. Hendrik Schoeman, the Minister of Agriculture, have both announced that they are available and are seen as the favourites. Both, however, are seen as moderates in the party. National Party officials see Mr. Jimmy Kruger, the Minister of Police, as the man most likely to attract Dr. Mulder's staunchest and most conservative supporters. The dark horse is Dr. Andries Treurnicht, the leading ideologist of the NP Right-wing, but only a deputy Minister in the Government. His chances are thought to be good if Mr. Kruger does not stand.

So far, Dr. Treurnicht has not allowed his name to be put forward for the election. Nor has Mr. Pik Botha, the Foreign Minister, and the most popular figure in the Government.

Israel rejects Cairo plan

BY L. DANIEL

JERUSALEM, Nov. 13.

THE ISRAELI GOVERNMENT, meeting without the participation of five leading Ministers, including the Premier, today rejected the new Egyptian proposals brought back to Washington from Cairo by the Egyptian delegation.

The Cabinet passed a resolution to this effect after hearing a report on the latest developments from the Deputy Premier, Mr. Yigael Yadin. The Cabinet Secretary said after the session—which took place some hours before the scheduled meeting tonight in New York between the U.S. Secretary of State, Mr. Cyrus Vance and Premier Menahem Begin, Foreign Minister Mosha Dayan and Defence Minister Ezer Weizman—that the Cabinet considered the demands violated the Camp David agreement.

The Government of Israel considered that the raising of these new demands put obstacles on the already agreed-upon road towards a peace treaty.

Ihasan Hijazi writes from Beirut: A diagolgue has begun in Lebanon between Lebanese Christian leaders and their main adversaries, the Palestinians. Meetings held on Friday between the two Palestinian professors who have close connections with the Palestinian Liberation Organisation and the two right-wing leaders, Mr. Camille Chamoun and Mr. Pierre Gemayel, have evoked mixed reaction.

However, the talks were generally regarded as a contribution to solving the Lebanese crisis.

مكتامن الأصل

WORLD TRADE NEWS

Scandinavians optimistic on pulp profits next year

BY MAX WILKINSON

AFTER TWO years of heavy losses, the Scandinavian pulp and paper industry is looking ahead towards a recovery next year.

Mr. Bo Wergens, managing director of the Swedish Pulp and Paper Industry Association said in London that many mills would show losses for the year ending 1978, but he expected them to achieve break-even or slight profits next year.

His optimism is based on the increase in the price of market pulp from the low level of $323 in the first half of the year to a current level of $380 per tonne of bleached sulphate pulp. Mr. Wergens thought prices would further increase next year towards the $415 peak achieved in 1973-74.

Mr. Wergens said: "I am not saying that prices will go quite that high, but I think they will be going towards that level."

Swedish pulp mills have now shifted all of their surplus stocks, and have now stepped up *production to between 80 per* cent and 85 per cent of capacity compared with the very low levels of 70 per cent or even less two years ago.

As a result of the general improvement of demand, Mr. Wergens said the Swedish industry had won back the market share which it lost to American and Canadian producers in 1976.

He estimates that Sweden's share of the European pulp market is now 39 per cent of the total of North American and Scandinavian deliveries which he describes as the "normal" level.

The improvement in the pulp market has to be offset to some extent for the Scandinavians by the fall in the value of the dollar. Since prices are quoted in dollars, their revenues have been correspondingly reduced.

However, Mr. Wergens believes that the Scandinavian mills' margins will improve for three reasons.

First he believes the dollar is now undervalued and will tend to rise against the Swedish krona.

Second, he says, Swedish wood costs have been reduced by 20 per cent over the last two years including a 5 per cent reduction this year. Labour costs also show signs of relative stability. He expects wood costs next year to be about the same as this year.

Thirdly, he believes that wood costs in the Southern States of the U.S. will tend to increase as a result of rising land and labour costs and pressure for more environmentalist measures.

It has been estimated that the Southern U.S. wood costs are $100 lower per tonne of pulp than those in Scandinavia. In Sweden the costs of replanting and other Government decreed environmental measures add $25 a tonne to the cost of pulp.

Although the differential between wood costs depends on the exact valuation of the dollar, the Swedes expect that it will slowly be reduced. They do not, however, expect the differential to disappear altogether.

He said: "The scenario is thus set for a balanced international pulp market, where the main part of the supplies from new pulp capacities successively coming on stream during 1979 will be absorbed by the increasing demand."

Container ships over capacity

BY LYNTON McLAIN

THE WORLD fleet of deep-sea container ships is expected to increase by a third by the end of 1980, producing overcapacity on all established routes, London shipping consultants H. P. Drewry said in a report published today.

Deliveries of new vessels and the depressed world trade would combine to produce the overcapacity. *There were over 100 fully cellular container ships, each with a capacity of 400* twenty foot long equivalent container units, on order last month compared with 83 on order at the end of September, last year.

The expansion in the container ship fleet compared with a forecast rise of 10 per cent in the world fleets of bulk carriers, 7 per cent in the oil tanker fleet and 6 per cent in the fleets of combined carriers.

The factors behind the forecast of overcapacity included the lack *of suitable investment opportunities* elsewhere in shipping, the current bargain prices for new ships, fears that inflation may lift prices and plans in the developing world to build their own container fleets.

The total order book for container ships is equivalent to a world fleet annual growth rate of 11.5 per cent between mid-1975 and the end of 1980, based on the assumption that there is no further ordering for delivery during this period.

Only the start of an unexpected *boom in world trade may prevent* the deep sea container ship sector from sliding into increasing overcapacity and diminishing profits, the report said.

SHIPPING REPORT

Politics disturb freight market

BY OUR SHIPPING CORRESPONDENT

OIL TANKER rates stabilised last week as the flow of crude from Iran became more certain, but the effects of the volatile political situation there continue to have slightly unsettling effects on most areas of the freight market.

VLCC rates in the Gulf improved slightly last week, with a 260,000 tonner taking WS37½ and a 384,000 tonner the surprisingly high figure of WS34¾.

Inquiry for period charters is said to be on the increase, with charterers and owners manoeuvring for positions in a volatile market which is expected to weaken by the end of the year with an OPEC price increase.

In New York, Texaco has *taken several ships in the 70,000* to 80,000-ton range for periods of 12 to 24 months at rates which equate to a spot rate level of WS76.

Brokers report some hesitancy in dry cargo markets as a result of the Iranian troubles, but the only actual fall in rates was in the U.S. Gulf, where $10 was the going rate for Gulf-Continent for a 55,000-dwt ship last week. These rates are still high, however, by the standards of the last two years.

Timecharter rates for Panamax vessels have improved slightly in the Far East, but in the Atlantic rates have weakened *slightly*.

A busy week in the sale and purchase market saw an 11-year-old Panamax bulk carrier sold by P & O for $4.9m—a good price in present times. A smaller bulker of 27,000 tons built in 1970 went for $4.17m.

Manchester Liners sold two ten-year-old container ships to the C. Y. Tung group for $3.25m each.

World Economic Indicators

UNEMPLOYMENT

		Oct. '78	Sept. '78	Aug. '78	Oct. '77
U.K.*	000s	1,360.0	1,378.1	1,392.0	1,433.4
	%	5.7	5.8	5.8	6.1
Holland*	000s	210.2†	211.6	210.5	206.2
	%	5.3	5.3	5.2	5.3
U.S.*	000s	5,900.0	6,000.0	6,002.0	6,872.0
	%	5.8	6.0	6.0	7.0
W. Germany	000s	907.6	864.3	923.9	954.4
	%	3.9	3.8	4.0	4.2
		Sept. '78	Aug. '78	July '78	Sept. '77
Belgium	000s	268.6	270.5	272.7	260.5
	%	6.7	6.8	6.8	6.5
France	000s	1,284.0	1,157.0	1,094.0	1,215.9
	%	5.5	5.0	5.0	5.5
		June '78	May '78	April '78	June '77
Japan	000s	1,260.0	1,230.0	1,230.0	1,110.0
	%	2.2	2.2	2.2	2.1
		July '78	April '78	Jan. '78	July '77
Italy	000s	1,658.0	1,450.0	1,520.0	1,692.0
	%	7.5	7.2	8.0	7.9

* Seasonally adjusted. † Provisional.

Japan and China in $190m deal

By Yoko Shibata

TOKYO, Nov. 12.

MITSUBISHI Heavy Industries (MHI) and Mitsubishi Electric have received a $190m order for large thermal power plant for the Baoshan Steelworks in Shanghai, the companies said here.

It is the largest order ever received by Japanese electrical power equipment manufacturers from China and is also the first order concluded since the signing of the Japan-China peace treaty.

The project calls for construction of thermal power units with total power capacity of 700,000 kw. Part of the fuel for the thermal plants are to be supplied by waste gas from furnaces at the Paoshan steelworks.

Mitsubishi Heavy Industries has the largest market share for thermal plants using a mix of waste gas and coal fuels.

The first plant will be completed by June 1981, and the other by the end of 1981. In April this year, China invited three Japanese electric *machinery manufacturing groups,* Hitachi-Machinery, Hitachi Babcock (for boilers), Toshiba Electric-MHI (for turbines and generators) and MHI-Mitsubishi Electric (for turbines, generators and boilers).

Up to this summer, Hitachi and the Toshiba-MHI group seemed more likely to win the contract.

Taiwan-U.S. talks on TV imports fail

WASHINGTON, Nov. 12.

The U.S. and Taiwan have failed to reach an agreement to restrict the Asian nation's exports of colour television receivers into the U.S. between now and mid-1980.

After three days of negotiations here, U.S. trade-policy officials said the two countries were unable to agree on how Taiwan's growing volume of colour TV set exports to the U.S. should be restricted under a bilateral "orderly-marketing" agreement. Further negotiations are not planned.

AP-DJ

TUBARAO STEELWORKS

A tri-national gamble

BY DIANA SMITH IN RIO DE JANEIRO

BASIC CONTRACTS for the $2.8bn Tubarao steel works in Brazil's Espirito Santo state, have now been signed. At full capacity, Tubarao will produce 3m tonnes a year of semi-finished steel products.

The project is a tri-national joint venture between Siderbras, *Brazil's national steel agency,* Finsider (Finanziaria Siderurgica) of Italy, the steel arm of IRI (Instituto di Ricostruzioni Italiano), and Kawasaki Steel of Japan. Siderbras will have a 51 per cent share in the capital, Finsider and Kawasaki 24.5 per cent each. According to Dr. Claudio Marcello Rossi, Director in Brazil of the Finsider operation, Tubarao is the first tri-national joint venture of its type.

The three contracts signed on the last day of October cover basic purchase orders of equipment for Tubarao, preliminary purchase and sale of output (SLAB) and a finance agreement between Siderbras, Finsider and Kawasaki Steel.

The total value of the basic *purchase order is $1.41bn* comprising $708.6m in equipment supplies, supervision and training from Japan and $706.086m for equipment, supervision and training, from Italy.

Japan's share includes the blast furnace, to be supplied by Marubeni, and the power and blower-unit, to be supplied by Mitsubishi, while Italy, through Italimpiani, another offshoot of IRI, will supply the coke oven, slabbing mill, and soaking pit units.

The Japanese and Italian equipment will be financed by supplier-credits: in the Italian case, with a 12-year term at 8 per cent fixed interest by the Banca di Credito Italiano to Italimpianti, with Italian Government guarantees.

Originally, Brazilian manufacturers' share of equipment was set at 33 per cent but, after heated disputes in recent months, accompanied by protests by Brazilian capital goods manufacturers that they had been by-passed in areas where they were capable of participating, Siderbras, Finsider and Kawasaki agreed to raise this share to about 50.4 per cent—depending, Dr. Rossi says on the type, quality and delivery dates of equipment.

Inevitably, at a time of steel crisis in Western Europe and Japan, the foreign partners in Tubarao have not disguised their interest in ensuring that *the key Tubarao equipment is* manufactured in their own countries, providing jobs for Italian or Japanese workers.

The finance agreement signed at the end of last month covers a $700m consortium loan by Japanese banks led by the Bank of Tokyo, Long Term Credit Bank of Japan and Dai-Ichi Kanyo Bank. This is a straight financial loan, not tied to equipment supplies, negotiated on behalf of Siderbras by Kawasaki Steel earlier this year, to cover part of Siderbras' share in the total Tubarao investment. The loan will be supplied in three tranches: the first, this month of $250m, the second, $250m tranche in 1979 and the third, $200m tranche in 1980.

Each tranche will have a 12 *year term of grace, with spreads* over LIBOR of 1.25 per cent for the first and 1¼ for the other two tranches. Initially, the Japanese banking consortium was reluctant to guarantee more than $180m but after negotiations earlier this year when Siderbras and the Brazilian Ministry of Industry and Trade's indicated that the project would be jeoparised unless the full sum was guaranteed from the start, agreement was reached in July.

Shareholders capital according to Dr. Rossi, has been set at $500m-$550m—$280m from Siderbras, and $134.75m each from Finsider and Kawasaki. The remainder of the $2.8bn investment, will be financed by Brazilian institutions including the National Economic Development Bank.

The preliminary sale and purchase agreement of Tubarao's output is geared to an 18-year period. In the first three and a half years, Finsider and Kawasaki have agreed to absorb ten per cent each of actual output (below 3m tonnes per annum initially). Originally, the foreign partners' quotas was set at 20 per cent each but, in March this year, pleading high domestic idle capacity, the Japanese partners renegotiated their quotas. At the time Brazilian steel sources indicated that Siderbras had agreed to reduce the Japanese quota in *return for Kawasaki Steel's* undertaking to negotiate the $700m financial loan. For the sake of equality Finsider's quota was also reduced.

The sales agreement, Dr. Rossi says, contains a commercial flexibility clause. This not only allows the foreign partners to increase their quotas after the first three and a half years to 20 per cent, should the international steel situation warrant it but also, permits Italy or Japan to sell whatever portion of their quota they choose wherever they choose should their steel problems persist.

This would include a chance to export the Tubarao product on their own after giving their partners advance notice but without needing their consent. Dr. Rossi maintains that efforts would be made to avoid undue competition between Tubarao partners on foreign markets.

The general Tubarao agreement, drawn up in 1974, allows for doubling capacity to 6m tonnes per annum. From a technical viewpoint, Dr. Rossi explained, this makes sense, since during the 15 years covered by the agreement, there will be three shutdowns of the blast furnace for relining. Also, a second blast furnace would ensure maximum technical and economic use of the operation.

All will depend on the world situation. In Dr. Rossi's view, Tubarao's scheduled start-up late in 1982, will coincide with the beginning of the end of the world steel crisis, with general capacity moving closer to potential consumption; what he terms a "happy coincidence."

Dr. Rossi says that it is virtually certain that a molten mill will be built adjacent to Tubarao, with a 2m-tonne capacity which would be entirely Siderbras's responsibility.

EFTA and Spain agree tariff cuts

GENEVA, Nov. 12.

SPAIN AND the seven-nation European Free Trade Association (EFTA) have reached virtually complete agreement on gradually reducing mutual trade barriers to the same levels existing between Spain and the EEC.

The agreement, which will be initialled on December 7, covers essentially industrial products and fish, which parallel accords being worked out between Spain and EFTA members on agricultural trade.

The object of the accord is to effect trade liberalisation between the EFTA and Spain in the intermediate period before Spain formally joins the EEC. After that, trade between Spain and EFTA will be covered entirely by the existing free trade arrangement between EFTA and the EEC concluded after Britain and Denmark left EFTA to join the Community.

AP-DJ

British week in Warsaw

By Christopher Bobinski

WARSAW, Nov. 12.

FORTY EIGHT British companies, including Taylor Woodrow, Cementation, Fisons and BP Nutrition are participating in a British technical week which opens in Warsaw tomorrow.

The week is being organised jointly by the London Chamber of Commerce and the Polish Technical Association and is the third of its kind in Warsaw. It will include films, lectures, and an exhibition.

The themes of the week are the food industry, construction, the chemical industry and transport, subjects which it is thought are likely to be of most interest to Polish importers.

Despite Poland's import cutbacks in trade with the West this year British Department of Trade figures show a rise in exports to Poland of 26 per cent over the first nine months of this year compared to the same period in 1977.

HOME NEWS

Shell keen to help small companies

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A CAMPAIGN now being conducted by the Government to encourage large companies to help small concerns will receive a significant boost in about a month when Shell UK launches a special initiative scheme.

Shell has been working on this for some time and is already associated with various projects including a Newcastle-based voluntary organisation called Enterprise North, and a New Enterprise Development Project at Durham University.

It is also one of the major companies working with the London Chamber of Commerce and the Industrial and Commercial Finance Corporation to set up a London Enterprise Agency with funds of up to £1m to help small companies in inner London.

Shell has carried out research into the problems of small companies, especially in inner cities, and is considering other ways of providing help. One often quoted possibility, not only for Shell but for other oil companies such as BP which is also involved in the London Agency, is that spare petrol station sites might be handed over to small concerns.

But while Shell and other such companies are preparing special policies, they are anxious not to give the impression that they are prepared to trade with small businesses on specially preferential terms.

This is despite the fact, that many small businessmen have told the Government, recently, that more relaxed credit terms would be one of the most useful initiatives from large companies.

The Government's interest in encouraging large companies to help small businesses is likely to be spelled out in speeches during coming weeks by various Ministers including Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

Plan for Kent air services

By Michael Donne, Aerospace Correspondent

An airline, called Air Kent, is being set up by a group of Kent businessmen. It will be based at Manston Airport, and application has been made to the Civil Aviation Authority for routes to Brussels and Rotterdam.

If the licences are awarded, the new airline plans to start flying on May 2 next year, offering five return flights daily between Manston and Brussels, and two each way daily to and from Rotterdam.

The aircraft used will be either U.S. Piper Navajo Chieftains or British Aerospace Heron six to 10-seat executive-type propeller aircraft.

Air Kent is the operating name for a company called Thanet European Air Services, formed by a group of travel agents in East Kent.

The aim of the new airline is to make it easier for Kent businessmen to reach the Continent. At present, those living near Thanet have to journey between 80 and 100 miles to the west, to either Gatwick or Heathrow in order to fly 140 miles East to Belgium and Holland.

Economic indicators will show progress of upturn

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN ALL-ROUND picture of the progress of the economic upturn should be provided this week by the publication of most of the main indicators of demand and output.

In particular, indices for industrial production in September and retail sales in October—both due out today—will be studied closely to see how far the mini-boom conditions of the summer have been maintained during the early autumn.

Official figures due on Thursday are expected to show that sterling M3, the broadly defined money supply, grew more rapidly in the month to mid-October than in the previous couple of months.

However, as Mr. Denis Healey, Chancellor of the Exchequer, hinted last Thursday, the annual rate of growth over the first six months of the financial year should be closer to 7 per cent than 8 per cent and at the bottom end of the 8 to 12 per cent target range.

The pattern of the current account of the balance of payments has been extremely difficult to forecast this year because of the sharp month-to-month fluctuations. Most City analysts, though, are expecting an improvement in the October balance—due to be announced tomorrow—afer the £119m deficit the previous month, which was inflated by abnormally high oil imports and the delayed effects of the Southampton dock strike.

Statistics for both pay and prices are due on Wednesday and Friday respectively. The average earnings index for September is unlikely to provide much of a clue to what has been happening in the current pay round, as few big settlements have yet been agreed. The prices index, however, is expected to confirm that the 12-month rate of retail price inflation to mid-October was little changed from the 7.8 per cent rate in September.

Among the other statistics due to be published this week are cyclical indicators for the UK economy (on Wednesday), the second preliminary estimate of consumer spending in the third quarter (on Thursday), and the preliminary estimate of Gross Domestic Product in the third quarter (on Friday).

● The present sterling exchange rate is uncompetitive, according to the first issue of a regular new exchange rate analysis published this morning.

The review, entitled Exchange Rate Outlook, will be published monthly and has been produced by Mr. Terry Burns and Mr. Bill Robinson of the London Business School in co-operation with Gower Press and Charles Fulton and Co., currency and money brokers.

The publication brings together various data relevant to the assessment of exchange rates. On sterling, for example, it points out that UK prices, adjusted for exchange rates, have reached a level where the UK's international competitiveness is 10 per cent worse than its historical trend.

"Exchange Rate Outlook": Gower Press, 1, Westmead, Farnborough, Hampshire GU14 7RU.

Chemists ask public for advice

By Colleen Toomey

THE RISING cost of prescription drugs is forcing chemists's shops to close at the rate of 2 per cent a year. In the past 13 years more than 4,500 chemists in England and Wales have shut.

The Pharmaceutical Services Negotiating Committee, which acts for prescription chemists, is trying to improve the inadequate services these closures have caused.

This week it is launching a nationwide campaign through the 9,500 chemists in England and Wales to discover what services the public wants.

It expects to have compiled a detailed memorandum by early next year, incorporating the suggestions of groups including the Association of Community Health Councils, Help the Aged, and the National Council of Social Services.

Action will be taken on immediate inadequacies in services, but other problems will take more time, "or may even need negotiation with the Secretary of State to implement," according to Mr. Alan Smith, chief executive of the Committee.

Among the recommendations the committee hopes to implement next year is a reduction in the quantity of drugs given for each prescription. "This would avoid wastage and could cut £100m from prescription costs a year," Mr. Smith said.

Last year, 325m prescriptions worth more than £600m were issued by chemists. Drug costs rose by 18 per cent, while profit over sales remained at 3 per cent.

This disparity has been one of the prime reasons for chemists' shop closures.

Social security payments go up this week

BY ERIC SHORT

OLD AGE and widow's pensions, sickness and unemployment benefits, and all other social security benefits increase from today, when the annual revaluation of benefits comes into operation.

The weekly pension for a single person becomes £19.50, compared with £17.50, while for couples it is £31.20, compared with £28. Sickness and unemployment benefits, previously £14.70 for a single person and £23.80 for a couple, became £15.75 and £25.50 respectively.

Other benefits increase correspondingly. The child benefits payment goes up to £3 from £2.30. The earnings limit for retirement pensions—the amount they can earn before having their pensions reduced—goes up to £45 a week from £40.

The pension increases were announced by Mr. Denis Healey, the Chancellor, on Budget day and the other increases by Mr. David Ennals, the Social Services Secretary, the following day. They represent fulfilment of the Government's obligation, as laid down in the Social Security Act, 1975, to review benefit levels at lease once a year so that their real value is maintained.

Under the Act, pensions and other long-term benefits are revalued in line with rises in earnings or prices, whichever is the greater. Short-term benefits, such as sickness and unemployment, are revalued only with price movements.

Pensions are being improved by *about* 11½ per cent, while sickness and unemployment benefits are rising by only 7 per cent. The increases are based on Government forecasts on the movement of earnings and prices over the 12 months from November 1977. No indication has been given by the Government as to what action it will take, if any, should the forecasts fall short of the changes in the National Earnings Index and the Retail Price Index.

The review of contribution rates and contribution salary levels for the national insurance fund over the next financial year, starting in April, is expected to be announced next month. It is anticipated that contribution rates both for contracted-in and contracted-out employees will remain unchanged. But the upper weekly earnings limit to which these rates apply is likely to be lifted to about £135 from £120.

● The Institute of Chartered Accountants has published two simple guides to social security benefits, under its series of booklets giving professional briefs for practitioners. It points out that almost every person in the country, at some time or another, will receive some form of State benefit.

Family Related Benefits: Some Aspects of Social Security Benefits, and *Employment, Unemployment, and Disability: Some Aspects of Social Security Benefits*, £1.50 each, are available from the Institute of Chartered Accountants in England and Wales, P.O. Box 433, Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ.

Labour News is on page 38

Insurance Company of N. America men start rival firm

By John Moore

THREE TOP underwriters of the London office of the Insurance Company of North America (INA), the oldest general insurance company in the U.S., are leaving the group and are planning to start their own underwriting syndicate at Lloyd's.

They are Mr. Colin Mander, 39, who has been a marine underwriter with the INA for 17 years, and his two deputies Mr. Stephen Thomas and Mr. John Cooper, who have worked for INA for 13 years and 10 years respectively.

"It does represent a fair amount of our marine underwriting strength in London," commented an INA executive on the departures yesterday.

The underwriters are being introduced to Lloyd's by Mr. Richard Outhwaite, chairman and underwriter of R.H.M. Outhwaite (Underwriting Agencies), which is providing the necessary financial backing, as well as a supply of underwriting members.

The new marine syndicate—to be called Mander, Thomas and Cooper—is expected to be able in the early stages to underwrite business which produce premiums of £5m. The proposal is still receiving the attention of the Lloyd's ruling committee.

INA recently formed a UK holding company to handle its marine, aviation and non-marine business previously handled by the branch operation of the American head office.

New chemical boost for cereal crops

BY MAURICE SAMUELSON

A CHEMICAL designed to give a big boost to cereal production in many developing countries has been announced by Shell International Chemical Company.

It is a new generation of the "Suffix" herbicide which kills off wild oats, the dominant weed in wheat and barley fields. Unlike earlier versions, the new herbicide can be sprayed on both wheat and barley and far smaller amounts are needed.

Introduced in Western Europe earlier this year, Shell intends to market Suffix BW in a broad belt of countries from Spain and North Africa, through the Middle East as far as India and Pakistan. Because of local regulations, it is sold under different trade marks—Suffix 425 in France, Super Suffix TC in Spain and Barnon Plus in Scandinavia.

Wild oats have become particularly harmful because they take water and light from the shorter breeds of wheat now in common use. Shell claims that in Western Europe alone, the weed costs farmers £100m a year in crop losses, apart from the £50m to £60m spent on other wild oat herbicides.

In Greece, cereal crops are so badly hit that the weed contributes to the drift of young people away from the villages. In Algeria, Morocco and Tunisia, where the Governments support the new herbicide programmes, up to 2½m acres are thought to be infested by wild oats.

In Syria and Iraq the weed affects 30 per cent of the 10m acres on which cereals are grown.

Since the first brand of Suffix was launched six years ago, it has been sold in more than 30 countries. The latest customer is Iraq, which has just placed a $1.4m order, with Shell Nederland Chemie BV, bringing this year's sales to Arab countries to $2.2m.

Another order is about to be signed with Algeria, and now Shell says it is trying to sell Suffix to the Soviet Union, one of the world's leading wheat producers.

Freewheeler to market Buzby kite

Freewheeler Leisure Products, of Pershore, which makes stunt kites and skateboards, is to produce a Buzby stunt kite featuring the Post Office's character.

Freewheeler, a company run by Mr. Bryan Eccles, an ex-racing driver, makes 340,000 stunt kites a year and believes Buzby will add as many again to the company's order books.

The company's other speciality is skateboard manufacture. At a time when most makers are winding up production caused by the dramatic collapse of the past-time in Britain, Frewheeler is making a big hit in Europe.

Since September, the company has marketed £230,000 of skateboards in six European countries. It is already ahead of its initial turnover target of £1m a year.

The company's success is explained by Mr. Eccles as due to the particularly high quality of the skateboards produced.

"The fact that there were too many cowboys in the business selling inferior skateboards contributed to the demise of the industry in the United Kingdom," he said.

In spite of fierce competition from other manufacturers, Freewheeler boards are being handled by Otto-Simon, of Holland, one of Europe's largest toy and sports goods distributors.

Robin Day joins BBC radio's World at One

INTERVIEWER Robin Day is joining The World at One later this month, when Radio 4 moves to 1500 metres on the long wave.

He will join the current presenter, Brian Widlake, to present an extended version of the programme running from 1 pm to 1.40 pm.

Robin Day's first edition will be on Tuesday, November 28. Thereafter, he will handle the programme on Tuesdays, Wednesdays, and Thursdays. Brian Widlake will present Mondays and Fridays.

Mr. Julian Holland, editor of The World at One, said: "Robin's interviewing of the main political figures of our time has been the most compelling and respected political journalism for many years. Now he broadens his field to take in the whole sweep of daily radio journalism."

Civil engineers expect no great work increase

Financial Times Reporter

THE WORKLOAD in civil engineering shows little prospect of increasing, says the quarterly review by the Federation of Civil Engineering Contractors.

Business has remained stable in the quarter, but at a low level. Yorkshire, the North-East, Scotland and Wales reported a continuously deteriorating situation.

This is at a time when the maximum amount of work should have been under way, given the favourable weather.

Though most categories of company report less idle plant than 12 months ago, the amount of work available means that companies cannot use plant to the extent expected for the time of year.

Most companies expect business to continue at its present level. There may be some job recruitment, but this is likely only to fill existing vacancies rather than create extra jobs.

Call to admit more Third World goods

BY COLLEEN TOOMEY

A CALL for industrially developed nations to lower trade barriers against the raw materials and manufactured products of the Third World was made yesterday by Prof Alasdair MacBean, of Lancaster University.

Developing countries could increase their trade by lowering their own tariff barriers and reducing their overvalued exchange rates.

Policies advocated by these countries such as buffer stocks, commodity agreements, export taxes and the Generalised System of Preferences were "double stratagems" for improving their trade situation.

Prof. MacBean's points were written in a study of recent proposals by developing countries at the United Nations Conference on Trade and Development, and by the British-North American Committee. The committee is made up of business, labour, agriculture and professional leaders in the UK, Canada and the U.S.

Though raw materials still made up the larger portion of less developed countries' exports, manufactured products were taking a bigger share, somewhere in the region of 41 per cent compared with 45 per cent for agricultural products and 14 per cent for non-fuel minerals.

A Positive Approach to the International Economic Order Part 1: Trade and Structural Adjustment. Alasdair MacBean. Available from British-North American Committee, 1, Gough Square, EC4, £1.75.

Co-op branded food to carry guarantee

Financial Times Reporter

THE Co-operative Wholesale Society is to introduced a written guarantee on the packaging of its own food brands which will offer replacement or refund if a customer has any reasonable complaint.

The Co-op said yesterday that the consumer had the rights in the guarantee by statute, but by spelling these out the society felt it was helping keep shoppers aware of them.

The society holds almost a fifth of the packaged grocery market and more than a third of total sales in this category are of the Co-op brand. The guarantee will be introduced as labels are reprinted.

The Managing Director who knew how to save his company over £300,000 re-location costs!

Teenage topics studied again

PARENTS are told by Dr. Gordon Prince in a guide to adolescence published today by MIND (the National Association for Mental Health) not to try to understand everything. Teenagers need privacy and a chance to work things out for themselves by trial and error, he writes.

He warns parents not to leave home for the weekend when their son or daughter gives a party, "even if they suggest you should."

Nor should they encourage sexual relationships just because of children's early physical maturing. On the contrary, parents should exercise firmer control because "modern young people are more vulnerable."

It was also healthy for teenagers to challenge parental authority and to want to make their own judgment. It was better for them to have the chance to learn to make sound judgments than to be protected from ever making a mistake.

Performances in furniture trade 'alarmingly uneven'

BY JAMES McDONALD

THE PERFORMANCES of furniture manufacturers and wholesale distributors are "alarmingly uneven," according to the latest financial survey published by Inter Company Comparisons.

A general opinion that a lot of money is made in the business is not substantiated by the results given in the survey.

At total of 647 companies are analysed in ICC's report, which details two years' turnover, total assets, current liabilities, profits before tax and payments to directors.

Quoted companies analysed number 39. Of the 608 unquoted companies, 389 are grouped as London and South and 219 as Midlands and North.

To illustrate the unevenness of performance, ICC points out that 82 per cent of the quoted companies increased turnover over the last two years, but only 59 per cent increased profits.

In the unquoted sectors, 63.29 per cent of London and South companies enlarged their turnover and 78.5 per cent expanded their profits, while in Midlands and North, barely 50 per cent expanded either turnover or profits.

Furniture Manufacturers and Wholesale Distributors: Inter Company Comparisons, 81, City Road, London, EC1 £43.80.

MP wants State mortgage body

Mr. John Ryman Labour MP for Blyth, has called on the Government to set up a state corporation to compete in the mortgage market.

He made the request in a letter to Mr. Peter Shore, the Environment Secretary, as the row continued over the 2 per cent rise in mortgage rates, announced on Friday.

Mr. Ryman wrote that the "disgraceful" increase in mortgage rates "is particlly caused by the Government's persistent refusal to reorganise the building societies' industry."

FEEDING THE FIVE THOUSAND... THOUSAND... THOUSAND

The world grows at the rate of 175,000 extra mouths to feed, every day. To keep them fed can't depend on miracles, but on skills and technology.

BP Chemicals make a significant contribution to this – helping to increase food production and to make better use of existing resources. Our acetic and propionic acids are vital constituents of herbicides that eliminate the weeds that choke fields of corn, reducing their yield.

We are always striving to develop further uses for our acids in the service of the community. For example, with our formic acid, fishing fleets can now preserve fish offal by a technique new to the UK, and so make it available for animal feedstuffs.

BP Chemicals manufacture these acids in the largest complex of its kind in Europe. These products are important, not only for helping to feed the world, but also for pharmaceuticals needed to fight disease and improve health standards, and for textiles needed to produce more and better quality clothing.

BP Chemicals are one of the founders of the European petrochemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply.

This, together with our continuing investment in resources, service and product range, ensures that we continue to meet the needs of industry today, and the demands of the world tomorrow.

BP

BP chemicals-making it all happen

● NEWS ANALYSIS—GUINNESS PEAT

Dell's signing is major coup

BY RICHARD LAMBERT, FINANCIAL EDITOR

FOR A GROUP which is by no means a giant in the City of London, Guinness Peat has been associated with a remarkable number of distinguished public figures.

They include Sir Charles Villiers, who was executive deputy chairman before taking up his cross at British Steel; Sir Derek Mitchell, who moved over from the Treasury to join the banking side last year; the ubiquitous Lord Goodman, who bustles around actively in his role as consultant to the bank; and Sir Fred Warner, a former Ambassador to Japan.

But signing Mr. Edmund Dell, Secretary of State for Trade, counts as its biggest coup to date. Guinness Peat has net assets of £45m. By comparison, former Chancellor, Lord Barber, left Westminster for the City to take the chair of Standard Chartered, which has net assets of £381m.

The key to the appointment lies in the personality of Lord Kissin, Guinness Peat's chairman architect. Lord Kissin, who is 66, was created a life peer under the Wilson administration in 1974, and knows his way around Whitehall almost as well as he does the City.

For the past few years, he has, in his own words, "tended to concentrate on strengthening the top management of the group so as to ensure that when the time for change arises, the company has at its disposal people whose performance and entrepreneurial skills will ensure the momentum of the group's progress."

The most visible changes have come in the banking side, Guinness Mahon, which Lord Kissin merged into his own business, Lewis and Peat, in 1973. One of the smaller accepting houses, Guinness Mahon was, until not so many years ago, little more than a private family investment bank with not much interest in anything so vulgar as customers.

Only a handful of its present senior executives have been with the bank since its pre-merger days, and after a slow start within the enlarged organisation, it is expanding quite rapidly.

Its two biggest constraints are its size—with net disclosed assets of around £22m, it is only roughly half as big as Schroders—and its late start in the quest for domestic corporate finance and investment business. Well over half its activities are overseas orientated.

The contracts and status which a man like Mr. Dell will bring to a bank at this stage of its development could prove invaluable.

However, Guinness Mahon only accounts for about a fifth of the group's disclosed profits of just under £8m after tax and minority interests. Of the rest, commodity broking and dealing represents about a fifth, and other forms of broking and dealing accounts for about a sixth.

Much the fastest growing area of activity comes under the category of international projects and commodity processing, which contributed nearly a quarter of last year's non-banking profits.

Earlier this year, the group was appointed project leader for a large integrated meat processing plant in the Sudan, and it has ambitious plans for developing in an area where it can combine its expertise in commodities, banking, insurance and other financial services.

Here again, Mr. Dell can be expected to play an important role. As Trade Secretary, he has gone out of his way to be involved in a multitude of trade and commercial negotiations around the world. He is good at handling the nitty gritty of international trade talks—and he actually seems to enjoy them.

Perhaps the one area which does not fit comfortably into this picture of an inter-related financial services group is its significant investment in Linfood Holdings, which is involved in wholesale and retail food distribution. This interest developed out of Lewis and Peat's trading activities, but it is now of considerable size. Over the long term the holding may well be reduced in one way or another.

Once Mr. Dell is established at Guinness Peat, Lord Kissin will presumably take up the new office of president which shareholders thoughtfully approved at an extraordinary meeting only last month. His role thereafter will be a lively source of speculation, for Lord Kissin is a dominant personality within his company.

At the time of the Guinness Mahon merger, it was widely assumed that Sir Charles Villiers would take the leading role in the enlarged organisation, and on a number of other occasions, various appointments have incorrectly been ascribed to Lord Kissin's desire to step out of the front line.

Today, little of consequence happens in the group without his knowing about it. Lending decisions over a certain size are passed up to him as well as to a formal credit committee, and he is active in every area of business development.

Doubtless Lord Kissin and Mr. Dell have already talked about who is going to do what. Lord Kissin may no longer be deeply involved in the minute to minute activities of a group which he is largely responsible for creating, but it is a safe bet that he will still be active on a daily basis.

APPOINTMENTS

New London chief for Paribas

M. Olivier Michon has been appointed executive vice president in London of BANQUE DE PARIS *ET DES PAYS-BAS on the return* to the Bank's international department in Paris of M. Philippe Drillet.

★

Mr. R. L. White has resigned from the board of CORNELL DRESSES.

★

Mr. R. J. Cole has been appointed deputy managing director of SELINCOURT with effect from January 2, 1979. He is chairman of Furzebrook Knitting Co., a Courtaulds subsidiary.

★

THE BRITISH FOOTWEAR MANUFACTURERS FEDERATION announce the appointment of Mr. Peter Cowling as marketing directors with overall responsibility for marketing at home and abroad. He has been export development manager with the federation for the past two years.

★

The marketing department of the hydraulic hose division of DUNLOP INDUSTRIAL GROUP, has appointed manager Mr. Derek Gray as marketing director. Mr. Frank Monaghan as marketing manager, hydraulic assemblies, and Mr. K. *Guild* is appointed marketing manager, hydraulic hose.

★

PRIVATE PATIENTS PLAN announce the appointment of two directors. They are Mr. P. H. Lord, nominated by the Royal Royal College of Surgeons of England, and Mr. T. L. T. Lewis, nominated by the Royal College of Obstetricians and Gynaecologists.

★

BPMMA — the packaging machinery division in the Process Plant Association, has made Mr. Roy Barker, sales director of Driver Southall, its new chairman. Vice-chairman will be Mr. Terry Parry, managing director of Norpak Machines.

★

Mr. P. Gheerbrant, an advances manager in London of National Westminster Bank's international banking division, has been appointed deputy managing director of ROYWEST BANKING CORPORATION, an associate of NatWest, based in Nassau, Bahamas. He is the author of a textbook entitled "Cases in Banking Law."

★

NORTON SIMON INC. has appointed Mr. Solomon Mester as president of Max Factor's Japanese subsidiary, Max Factor K. K. Max Factor is an operating unit of Norton Simon Inc.

★

Mr. P. E. Hammond, a general manager of The Hongkong and Shanghai Banking Corporation, has been appointed as a director of the SAUDI BRITISH BANK. Mr. Keith Hindle has been appointed manager, merchant banking division, the Saudi British Bank.

★

Mr. Fred Lloyd has been appointed chairman of the ROAD TRANSPORT INDUSTRY TRAINING BOARD for three years. He succeeds Mr. K. C. Turner, who retired in September. Five new members have also been appointed to the Board. They are Mr. H. G. Taylor, Mr. P. G. Crook, Mr. H. Jackson, Mr. V. Greenwood and Mr. D. A. Gohl.

★

Mr. P. J. S. Fordham has been appointed to the Board of HAWKER SIDDELEY WATER ENGINEERING, as chairman. He is managing director of Hawker Siddeley Power Engineering and a director of Hawker Siddeley Electric.

★

Mr. R. W. Sinden has been appointed director of the SOCIETY OF BRITISH GAS INDUSTRIES in succession to Mr. T. Counter, who has retired because of ill-health. Mr. Sinden continues as secretary.

★

Mr. C. J. B. Rowe, previously manager of the private trade department, has been appointed a director of FINDLATER MACKIE TODD AND CO. Mr. P. G. C. Smith has left the company to become cellar manager of the Café Royal, London, and Mr. P. Weikop has been appointed cellar manager at Findlater's offices in Merton.

★

As a result of the merger between MANCHESTER GARAGES and OLIVER RIX the following Board appointments have been made:— Mr. R. A. Stoodley, chairman and managing director of Manor National Group Motors, Manchester Garages, and Oliver Rix. Mr. K. W. Bevan, Mr. M. E. Acland, Mr. A. K. L. Stephenson, Mr. A. M. Struthers and Mr. D. E. Rogers have become directors of Manor National Group Motors.

★

Mr. Ian Fraser has been appointed managing director of HOMEWORTHY FURNITURE, a member of the Lonrho Group. He was previously marketing director of the Harris Lebus Group.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● OFFICE EQUIPMENT

Word processors for most users

IN A BID further to consolidate its hold on the world screen-based word-processor market, of which it already has over 40 per cent, Wang has started to market a unit which, it indicates, is the lowest-priced screen and floppy disc machine available.

Its System 5, at a starting price of £6,345, will outperform equipment costing 30 per cent more, the company asserts. Meanwhile, at the other end of the scale, it has new equipment which can drive up to 32 units, which can include workstations, printers, photocompositors, telecommunications links and optical character recognition equipment.

This unit, which comes in three models like the System 5, has been designated OIS 140 and costs between £14,750 and £18,250. Included in the equipment it can drive is a new wide carriage printer with ability to produce 425 lines per minute.

The company has provided for compatibility and convertibility between existing equipment and its new launches, prompted by its experience in the small business systems market where it has now some 60,000 installations in the field—a share, as Wang's UK general manager Raymond Redpath puts it: "second only to that of IBM by a mere 3 per cent."

The word processing market in Britain is highly fragmented with something like eight well-known names competing for what is a relatively small sector of the potential office automation market. Wang is in a strong position, and is also looking very hard at total office communications of which word processing is only a sub-set.

Wang (UK), Chichester House, 278 High Holborn, London WC1 7EE. 01-242 8554.

Files harder to lose

DESIGNED for its Acme Astromatic mechanised unit—but applicable to other systems—KromaKode colour-coded filing from Jetleys (Great Britain) converts numerals and/or letters to specific colours, which are printed on wrap-round labels attached to the visible edges of folders. These organise records into distinctive sequences of numbers and letters by colours, creating blocks of colour in the file.

Continuity of colour bands is interrupted if a folder is re-filed out of proper sequence. This automatic signal of a misfile, provided as soon as it happens, eliminates tedious (and costly) manual searches.

Numeric systems are available for records to be filed in straight, double or triple digit sequence. Numbers and colours never vary, so that green always represents zero, pink is always one, black is two, yellow is three and so on up to nine.

All the digits of a file number are colour-coded and show on both sides of the tab. The last two digits show on the bottom band and are coded to the second digit from the last. This forms a block of colour by having ten consecutive numbers in the same colour.

The same combinations of colours will not appear at any other place in the file. Therefore, the only place a misfile can occur is within the block of ten consecutive numbers. This is true even where there are 1m or more numbers in the file.

Jetleys, 3 Astoria Mansions, Streatham High Road, London SW16 1PS. 01-677 3823.

The French word for it

AN ENGLISH-French general technical dictionary by J. Gerrard Belle-Isle will be published on November 16 by Routledge and Kegan Paul at £9.95.

There are over 49,000 English terms pertaining to some thirty different industrial and commercial techniques in common use, with more than 126,000 French equivalents, including the different meanings relative to the English terms.

The author, who has had a long career as a civil engineer in Canada, produced the first edition of the present work in 1965 which, the publisher says, was immediately established as the standard work in its field.

● COMMUNICATION

Gives two way direct speech

AN intercommunication system which can accommodate between two and 56 stations connected in a ring by a three pair telephone cable and, in effect, provide duplex speech is available from Barkway Electronics, Royston.

Logic in each of the stations is able to recognise its calling signal and seize the audio pair. Then, voice switching is used to allow two-way conversation. A third party can be brought into the conversation if desired. Identity coding is hard-wired into each station and is altered by changing wire links. However, a station can be unplugged and used elsewhere without changing its coding.

In noisy factory environments where voice switching becomes a problem, reversion to simplex is possible by key depression. In addition, any station can make a paging call to all others by the use of a "page" key. Optional handsets can be supplied with the press-button units.

Barkway is at Royston, Hertfordshire (076384 666).

● PROCESSES

For safer furnaces

THE OFTEN hazardous process of heat treating metals in furnaces can be made safer by using a nitrogen purging technique offered by BOC.

Explosive hazards can arise with the mixture of carbon monoxide and hydrogen used in such processes as case hardening particularly if the temperature drops below 750 deg C, which might happen for example in the event of an electricity supply failure.

The BOC system, called Furnace Guard, makes use of a massive flush of inert nitrogen to purge flammable gases from the furnace after a hazardous condition has been detected. Hardware includes a sensing system able to detect low temperature or pressure or a failure of the mains.

Liquid nitrogen is kept in an external tank at minus 196 deg C and is vaporised and introduced into the furnace at about 20 ins w.g., sufficient to flush the system through. Audible and visible warnings are given that purging has been triggered. A manually activated system can also be supplied.

BOC is at Hammersmith House, London W6 9DX (01-754 2020).

● RESEARCH

Transporting the disabled

BECAUSE OF the basic difficulties encountered by elderly and disabled passengers when using buses, Leyland Vehicles (the truck, bus and tractor company within BL) has spent five years researching into these problems.

Its human factors research (literally the study of the interaction between people, machinery and the environment) was carried out under a contract from the Transport and Road Research Laboratory. The work has now been completed with the result that the inclusion of a number of advanced design features in Leyland's latest double-decker, the Titan, promises a brighter outlook for old and infirm travellers.

The bus offers comfort within, plus space, excellent heating and ventilation. Integral construction brings the entrance step down to 12.32 inches.

There are, too, well placed grab rails, and the gangways are comfortably wide, particularly near the exit where congestion is most likely.

The production of a bus incorporating these features followed the company's 1973 first report on the subject of transporting aged and physically incapacitated people. Their capabilities with regard to step climbing, the length of reach and strength, etc., were assessed in a series of practical, medically supervised tests on a mock-up bus interior using over 200 subjects from hospital out-patient departments and old peoples' homes and hospitals.

A section of the new report just published analyses some other alternatives to the Titan's fixed, low steps which could be introduced on the buses of the future. Included in these is a retractable step which would operate automatically as the bus comes to a halt.

The whole research programme was filmed and part of this material, together with original film shot in a London studio are included in a film which is available, free on loan, from Public Affairs Department, Leyland Vehicles, Lancaster House, Leyland, Preston, Lancashire. (07744 21400).

● HANDLING

Sucks in waste

WHERE IT is necessary speedily to remove varying kinds of either solid or liquid waste (particularly in laboratories, hospitals, workshops and similar environments) the use of the American JetVac heavy-duty cleaning system is suggested by its U.K. agent Bestridge, 1-2 Royal Parade, Dawes Road, London SW6 7RE (01-385 7767).

Designed for industrial use, it can be operated indoors or outdoors, and has six main functions: as a normal, but extra powerful, domestic cleaner; for heavy duty (industrial vacuum cleaning); for rapid removal of liquids and spillage; to clean workshops, garages, etc.; removing waste materials, such as leaves, etc., from outside areas, and unblocking sinks and drains.

It has a five gallon capacity tank to accommodate solids or liquids, and can be easily emptied in seconds. When liquids are being picked up, a special by-pass motor and epoxy-lined rustproof tank ensure safe working, while an automatic cut-off operates when the container is full.

Selects goods from high shelves

DESIGNED TO help companies requiring a fork lift truck to operate as an order picker to select items between the 1600mm level and top levels of shelves, is the EKG1000 unit, now available from A.C.R. Lift Truck, Chalmers Way, North Feltham Trading Estate, Middlesex TW14 OUJ (01-751 0222).

The truck has a load capacity of 1000 kg and is intended as an order selector for goods situated at heights of 2590mm, 3090mm and 4070mm.

Quiet paper baler

THE SOUND level produced by an automatic paper/cardboard baler offered by Portable Balers of Birmingham has been reduced to 78 dBA by attention to design and use of insulation.

Fitted with a 15 hp geared motor the SB 2000L is fully automatic and produces a 40 kg bale, handling in the region of two tonnes per hour. Sectional dimensions of the bale are 500 x 400 mm and the length can be varied up to 12000 mm; each is tied automatically with two strands of wire, the press giving continuous operation.

The equipment should help solve disposal problems in large shops and stores, printing works, factories and warehouses, making the waste paper more saleable, improving hygiene, reducing storage space and cutting fire risk.

Summit Works, Smith Street, Hockley, Birmingham B19 3EW (021 554 7241).

● ELECTRONICS

Planning to diversify

THE THREE directors of Electronic Associates, Burgess Hill hybrid computer company, are now majority shareholders. The company has previously been a wholly owned subsidiary of Electronic Associates Inc. of New Jersey.

The amount paid is not disclosed. Reasons behind the move however are a desire by the U.K. company to follow a diversification programme coupled with a contraction of the U.S. corporation's European operations following a period of difficulty in the home market.

The UK company will continue to make available the U.S. corporation's products and service the installed base in the UK only.

Two companies already in the EAL fold as a result of the new approach are Cambridge Electronic Workshop, making theatre sound equipment, and Rohel Electronics, which manufactures large screen oscilloscopes.

Company chairman Dr. Bernard Murphy, who has previously served with Electronic Associates Inc. and has also held corporate appointments with ITT and Schindler Lifts, says that he intends to expand the company on the basis of taking a majority interest in young, small companies with viable technological ideas which are not able to win support from the more usual sources.

He contends that nowadays in the U.K. it is almost impossible for start-up funds to be raised by technology-based companies that need less than £100,000—the merchant banks, NRDC, the NEB and similar organisations are not interested in that level of investment he claims, and the high street banks "simply cannot comprehend such propositions in the first place."

Murphy says that EAL intends to acquire such companies at the rate of perhaps two a year for the next few years.

EAL is at Victoria Road, Burgess Hill, West Sussex, RH15 0JR (04446 5101).

● NAVIGATION

Helps avoid collision

ALTHOUGH computer-driven marine collision avoidance systems working in conjunction with radar already exist—some can track as many as 40 targets—they can be expensive and so not readily availably to smaller vessels.

At prices which start in the £500 region, Brown and Perring (Instrumentation), of London, is importing devices which can be connected to any existing marine radar display unit and which will lay down a range and sector guard zone, initiating an alarm if another vessel enters the chosen area.

The equipment, made by Radar Devices in the U.S. will only trigger when an echo has been identified for three consective scans, minimising the possibility of false alarms from clutter.

The more advanced versions of the equipment will highlight targets entering specified zones and give a digital presentation of the range and bearing of the most threatening.

If the alarm is overlooked by the officer on watch, a secondary alarm in the master's quarters (or wherever desired) will sound.

7, St. Botolph Street, London EC3A 7DT (01 626 6065).

● DATA PROCESSING

Fast print-out machine

DOCUMATION is offering in Britain its DOC 2000 model—a 2,000 lines per minute impact printer for users of Burroughs computers, and also most types of minicomputer.

Documation 2000 is also being made available as part of a new off-line printing system. This is set up by interfacing the DOC 2000 model with a print station comprising magnetic tape unit and associated control unit, housed in a cabinet which provides an operator panel for data entry and alpha-numeric display.

Off-line printouts can be produced using 9-track ½ inch magnetic tape of 800 or 1600 bpi density on which data is recorded from the computer.

With a 6-copy capability, each 2000 printer can effectively yield up to 12,000 lines per minute. While this performance is exceeded by many laser printers, the cost of running banks of the 2000 model could be as low as one third that of relying on laser machines. The 2000's impact printing method is also more efficient, the company asserts, when printing forms with irregular data layout, such as purchase orders, invoices and statements, because of its ability to skip at very high speeds.

Documation, Mill Mead, Staines, Middx TW18 4UG. Staines (0784) 61124.

Control of sales

THE LONDON Brick Company, which has recently decided to shift from NCR to Univac computers, also turns out to be the recipient of the 1,000th Univac OS/3 based machine in the UK.

The Bedford-based brick maker, largest in the world, will be using the machine for sales and distribution, stock control and sales orders. Projects under consideration for the future include distribution using on-line terminals, and on-line stock control of spares.

Machine to be used at LBC has a 90/30 processor with 196k of memory, with four disc units holding 58 megabytes, and a pair of tape drives. Including VDU terminals, the value of the installation is about £¼m.

● WELDING

Distribution agreement

THE INDUSTRIAL fastening and supplies operations of BIF British Industrial Fastenings have been widened following the company's conclusion of a sole distribution franchise for the UK with the Perma Company of Switzerland.

The latter—based near Geneva—supplies a comprehensive range of multi-purpose high quality alloys and equipment to the maintenance and repair welding market, and the British company will market the Perma product range via its specialist engineer salesmen selling direct to industry and the maintenance welding market.

Facilities have been created at BIF's Gatehouse Road, Aylesbury, headquarters, to provide guidance, instruction and special training for its customers' maintenance welding needs.

More from BIF at 0296 81341.

Building and Civil Engineering

Search for water in Burma

GROUNDWATER Development Consultants (International) a joint venture of Sir M. MacDonald and Partners, consulting engineers of Cambridge, and Hunting Technical Services of Boreham Wood, Herts. have been appointed to assist the Government of Burma in setting up a new groundwater department within its Department of Irrigation.

First stage of the work, which is just starting and is scheduled for completion in two years, includes exploratory drilling of about 100 wells in four areas of central Burma and the development of up to 85 of these as production wells. The consultants will assist in organising the administration of the new department, in procuring drilling equipment, the training of local drilling crews and supervision of the drilling.

The work which will be financed by a grant from the United Nations Development Programme, will be commissioned by contract with the International Bank for Reconstruction and Development. It will be divided into three phases. The first two will be exploratory involving groundwater investigation and the construction of pilot wells. The objective of the third phase is the exploitation of groundwater for irrigation through the dry season, and for additional irrigation during the monsoon so that a system of highly productive multiple cropping may be undertaken.

This is the first appointment in Burma for Sir. M. MacDonald and Partners.

£100m to Jeddah shipyard group

A CONSORTIUM of Saudi-Tarmac of Jeddah and the Swiss Company Navelink, Sapeco, has won a £100m contract to build a ship repair yard in Jeddah.

Dr. Fayis Badr, president and chairman of the Ports Authority of the Kingdom of Saudi Arabia, signed the contract which covers the construction and management of the yard. Completion is due in 1981.

Saudi-Tarmac was commissioned by the Ports Authority in September 1977 to carry out a feasibility study into the construction of a ship repair facility in Jeddah and to undertake this study the Sapeco consortium was formed in association with Navelink. Merchant banker Morgan Grenfell assisted the consortium with the study.

The contract covers the design, construction and management of the project which involves providing two floating docks of 45,000 deadweight tonnes and 16,000 deadweight tonnes, complete repair yard facilities and housing for the 700 staff and workforce to operate the yard.

Sapeco is to be responsible for the training of the staff and labour, and organisation and management of the project. Navelink are part of the Portugal-based Lisnave Group. Saudi-Tarmac will be responsible for the civil engineering, accommodation and shore-based work.

Teaching hospital in Pakistan

SHEIKH HAMDAM Bin Rashid, Ruler of Dubai, has signed a contract with the Pakistani construction company McDonald Leyton for a surgical complex at the Quaid-I-Azam teaching hospital, Bahawalpur, Pakistan.

When completed, the work will make the hospital one of Pakistan's major teaching hospitals where 200 students will be admitted each year for training.

The hospital contains 550 beds and the current expansion programme is likely to increase this capacity to 1,200. Work is due to start in December. Finance for the project has been provided by Sheikh Rashid.

John R. Harris and Partners, of Dubai, are the architects with R. J. Crocker and Partners as structural engineers, Widnell and Trollope, quantity surveyors and Upton Associates as services consultants.

£5m jobs for McAlpine

SEVEN NEW contracts, totalling about £5m, have been awarded to Sir Robert McAlpine and Sons.

The company will build on Oncology Unit at the King Edward VII Hospital in Midhurst, Sussex, an extension to the National Army Museum in London, a shopping development in Sunderland, and an extension to the Gosforth Park Hotel, Newcastle.

Wales is the scene of a wharf extension project at Pembroke, and in Scotland work is about to start on the St. Enoch Station, Glasgow, element of the new Clyderail integrated transport system, and on shopping development at Greenock.

Will help hold the water back

WORKERS AT Caldon Low, near the Staffordshire - Derbyshire border, are blasting big blocks of limestone which will be used in forming the barrier on the river Thames at Woolwich Reach.

The quarry, owned by Tarmac Roadstone (Southern), has so far supplied more than two thirds of the 30,000 tonnes scheduled this year.

From the quarry face the blocks—weighing between two and six tonnes each— are taken by dump trucks to wagons in the quarry's rail sidings and then by British Rail to a stockpiling area near the Thames Barrier site.

The flood barrier project is the second big order for such stone. Some years ago about 100,000 tonnes were supplied for harbour works at the British Steel Corporation's plant at Port Talbot in South Wales.

Caldon Low, which has been a quarry for about 200 years employs 70.

£4.7m worth in South

THREE COMPANIES in the French Kier Group have received contracts totalling over £4.7m, the largest being one for £2.7m from the Greater London Council for river flood defences on the Thames.

This contract has gone to Kier and will take 22 months to complete. It includes sheet steel piling, bored or driven load bearing piling, ground anchors, post tensioned concrete work, brickwork, structural steelwork, timbering and embankments.

A contract worth £1.1m has been awarded to Robert Marriott for 106 dwellings at The Brades (Phase III), Hertford - Road, Stevenage, Herts., by the local borough council. This comprises the erection of 68 units of two-storey and three-storey flats and 38 two-storey houses, external stores, external works and ancillary works.

The North British Housing Association has awarded a contract valued at £845,135 to W. & C. French (Construction) for the building of 57 houses at Prospect Road, Redbridge, Essex.

Four jobs worth £1.3m

CONTRACTS TOTALLING over £1.3m have been awarded to F. C. Construction.

The largest, worth £750,000 has been awarded by Stanton and Staveley for the design and construction of foundations, slabbed areas and drainage for a new large diameter spun iron pipe production line at Stanton works. The plant will produce cast iron pipes 1.6 metres diameter by 8 metres long and weighing 6 tonnes.

A further £50,000 contract has been awarded by Stanton and Staveley for the design and construction of foundations and associated works for a new process plant to produce large diameter cast iron specials at Staveley works to match the new production at Stanton.

The North West Water Authority's Pennine Division has awarded a £350,000 contract for the construction of a reinforced concrete reservoir, plus ancillary works, at Tottingham, near Bury, Lancashire, while for Longcliffe Quarries, under a £180,000 award, F. C. Construction is excavating in rock and constructing access cuttings and a reinforced concrete underpass with wing walls beneath the B5056.

Supermarket work

THREE supermarket contracts have been awarded to Mitchell Construction (Tarmac Group). Among them is its first job for Tesco.

The new Tesco superstore is being built in Market Square, Great Yarmouth, and is costing over £1m. It is scheduled for opening before Christmas next year. Work on site preparations, including piling, is now under way. Architects are the Piper Black Partnership.

Mitchell is also fitting out a new store for Waitrose at Milton Keynes at a cost of £934,000 and building the shell for a new Kwik Save store at Rushden, Northants for £99,000.

Other jobs for Mitchell include a new bowling centre and auto hobby shop extension at RAF Bentwaters, near Ipswich, Suffolk. This is being built under a £461,000 contract awarded by the Property Services Agency on behalf of the United States Air Force.

In Leicester, the company is doing £265,000 worth of sitework for the new Glenfield Hospital and at Luton it has started on a £246,000 civil engineering contract for the Lea Valley Water Company.

Laing wins £6.4m in UK

THE LARGEST of contracts totalling £6.46m awarded to John Laing Construction for work in this country is one for £2.4m by the Northampton Development Corporation for 880 new homes to be built as part of its housing programme at Ecton Brook. A total of 194 terraced bungalows and houses are to be built in the Rileyform timber frame system on the 15-acre site at Great Billing Way, Northampton.

The House of Fraser has awarded a contract for £1.5m for the fitting out of D. H. Evans' store in the Wood Green shopping city complex in North London. The store will have two floors and yield a gross floor area of 77,720 square feet.

In Scotland the company has won a £1.6m contract to build an extension for one of the largest education centres there. This comprises a new three-storey library, resources centre and administration building for Glasgow College of Technology in Cowcaddens Road, in the centre of the city.

The company will erect two industrial buildings in Sheffield for Grosvenor Estate Commercial Developments under a £660,000 contract, which brings the total value of work on the Parkwood Industrial Estate to nearly £1m.

Foundations reviewed

RECOMMENDATIONS for improvements in certain specific areas of current practice on foundation design and construction for low-rise buildings are made in a new Building Research Establishment Current Paper.

The paper—CP61/78 "Foundations for low-rise buildings"—was discussed last month by the Institution of Structural Engineers, and is available, free of charge, from the Distribution Unit, BRE, Garston, Watford WD2 7JR.

Rush and Tompkins busy

AN AMENITIES block for Winthrop Laboratories is to be built at Newcastle upon Tyne by Rush and Tompkins.

The contract is worth £1.8m and calls for a 69 metres by 31 metres two-storey building which will be steel-framed with reinforced concrete floors and roof. Precast panels and brickwork cladding will be used. Design is by the Ronald Clipchase Partnership.

Other work in the north-east, worth over £400,000, includes factory nursery units for the Borough of Hartlepool, a depot for Service Engines at Carlisle, workshop and offices at Durham for Bridge End Motors, alterations and refurbishing work at Cramlington for British Gas, and further civil engineering work at Redcar for the British Steel Corporation.

The £800,000 fitting-out of a store for Cater's—Debenham supermarket chain, has started at Kingston-on-Thames, Surrey and further work valued at £250,000 is under way on three supermarkets for Waitrose.

At Havant, Hants, foundation work has commenced, in readiness for the construction of a 30,000 sq ft store and car park, while alterations and extensions are being completed at stores at Bracknell and Newmarket, both of which were originally built by Rush and Tompkins.

RIBA directory

THE SECOND edition of its International Directory of Practices has just been published by the RIBA's Clients Advisory Service. This lists 1,000 RIBA architectural practices in the UK and overseas.

It is available at £40 (incl. p and p) from RIBA at 66, Portland Place, London W1N 4AD

Adds strength to cement

DEVELOPMENT work has been taking place that effectively overcomes the limitations of glass reinforced cement (GRC). This material, on which Building Research Establishment and Pilkington Brothers research staff started work in 1967, has now been licensed in most advanced countries.

But it suffers from the defect that, after a year, it has inadequate flexural capacity which means that primary structural applications by architects and engineers are ruled out. However, in every other respect it is an ideal building material lending itself to geometrics hitherto impossible to achieve.

This limitation was understood at the outset of the £28m investment programmes by NRDC, Pilkington and their licensees. It is only recently that BRE has been able to forecast long-term rates of loss in bending, tensile and impact strengths.

Research undertaken since 1975 by Mr. M. Cleary, who is a civil engineer, with the blessing of the two organisations involved in GRC, indicates that the incorporation of Du Pont's Kelvar aramid rovings in normal spray-dewatered GRC may improve tensile properties to such an extent that the new composite will be suitable for semi-structural components. Kelvar has a tensile strength close to that of mild steel.

Thus, various projects are under way to experiment with AR-RC (aramid rovings at predetermined centres in a 5 per cent zirconia glass reinforced ordinary Portland cement) for wharf facings at Chiswick and in lightweight domed roofs for prefabs.

New techniques make it possible to maintain the hydration process within the cement indefinitely, conferring high impermeability; while impregnation with sulphur provides very high resistance to acid.

Following the initial work by Mr. Cleary, units produced by licensees are being tested at Birmingham University's civil engineering department, while Thames Polytechnic, school of civil engineering, is specifically concerned with vibration-testing of such units.

M. Cleary, 1 Lamberhurst Road, Maidstone, Kent ME16 0NS. 0622 52801.

Gets best anchorage

ONE OF the most important qualities of a permanent ground anchor should be resistance to corrosion, says Chemical Building Products (part of Fosroc Construction Chemicals, which is a member of the construction sector of Foseco Minsep), Cleveland Road, Hemel Hempstead, Herts HP2 7DL (0442 42101).

Following its research and discussions with specialist contractors, the company has introduced its Loksleeve HD2 ground anchor system which offers double corrosion protection.

Although the materials — PVC, steel sheathing, resin and continuous grouts—have been used individually in conjunction with heavy duty ground anchoring for several years, says the company, this is the first time that they have been made available in a convenient package.

The system is made up in a factory from a series of standard units which can then be assembled on site by unskilled labour. The sleeve comprises an external convoluted sheath of moulded PVC. Carefully centralised within this is a steel convoluted sheath with the annulus filled under pressure with a polyester resin grout.

Because polyester resin is used, hardening is very rapid and within six hours of grouting the anchor should be ready for stressing.

A range of six heavy duty resin anchors, designed for use in high load applications, is offered by Hilti (Great Britain), Hilti House, Chester Road, Manchester M16 0GW (061-872 5010).

The system comprises a zinc electro-plated steel rod with a cold rolled metric thread, a nut and washer, and a sealed capsule containing a cold-hardening, two-component, polyester-based resin. The capsule breaks as the anchor is set in the hole and the resin mixed thoroughly and evenly distributed.

It is said that the setting time for the resin is much less than for cast-in fixings and can be as short as ten minutes, depending on the ambient temperature.

Over £3m worth to A. Monk

THREE contracts together worth over £3m have been awarded to A. Monk and Co., the largest being a £1.388m job for the repair and recladding of roofs at Hull Paragon Station, Kingston upon Hull for British Railways Board.

Peterborough Development Corporation has placed a contract for £1.2m for the construction of 1.5 km of limited access dual two-lane carriageway, forming part of Lincoln primary road, stage 2.

The company will also lay a 1,000 mm. diameter iron pipeline from Keldgate to Beverley Road, near Kingston upon Hull, under a £555,325 contract for Yorkshire Water Authority.

Protective coatings

NEARLY 300,000 litres of anti-corrosion coating material is being supplied by Sigma Coatings, part of the Petrofina Group, for the protection of steel piling and pipelines in the Middle East.

Some is being used on steel piles at the Aqaba port expansion project in Jordan which is being undertaken by the Tarmac-Shahin joint venture and some in the Gulf where it is being used by the Wimpey/McDermott joint venture on new water desalination plant at Dubai.

Housing in the north

PRIVATE residential developments are to be carried out in the Cleveland area by William Leech (Builders) the Tyneside-based building group. The group recently spent about £1m on the purchase of land in the Cleveland area for three main projects.

One of them is at Stokesley where a development of more than 80 detached executive-type homes is to be carried out on more than 8.5 acres of former grassland. The houses are expected to range in price from £18,500 to around the £30,000 mark.

Another development scheduled to start next spring is at High Throston, Hartlepool, where 180 new homes ranging in price from about £14,500 to about £31,500 will be constructed on 17.5 acres of former agricultural land.

The third development is at Yarm and provides for about 300 units on 30 acres of land at Layfield Farm. Work is expected to begin as soon as the plans have been approved by the appropriate authorities. Prices of dwellings will range from £14,500 to about £31,500.

IN BRIEF

● Ten building contracts in the West Country, valued together at about £1.6m, have been awarded to Ernest Ireland Construction of Bath (part of John Mowlem). They include building a new factory, a chemical plant, extensions to existing industrial premises, stores, an institutional building and a university library.

● A member of Taylor Woodrow, Myton, has won a £1.5m contract from J. Sainsbury for the provision of a 3,800 sq metre supermarket, five shop units, and car parking at George Lane, South Woodford, London, E18.

● The largest of contracts totalling over £1m just won by Mears Construction is for the British Airports Authority. It involves development work to the northern apron at Gatwick and is valued at £530,000. Other jobs are at Portsmouth Naval Base, for the Thames Water Authority, Lea division, and the construction of a breakwater at Clovelly in Devon.

● Rough-terrain and hydraulic truck cranes built by the Pettibone Corporation of Chicago are to be distributed in the UK by A. Long and Co.

● Lesser Construction has been awarded a £455,000 contract to design and build a 48 bedroom and conference room extension at the Swindon Crest Motel, Stratton St. Margaret, Swindon, Wilts, its tenth contract for Crest Hotels Europe.

● A further £1.25m has been added to contracts valued at over £4m currently under construction by Styles and Wood of Oldham, Greater Manchester. New work is a mixed bag with industrial and commercial building strongly represented. Major jobs include a two-storey office block and two retail supermarkets, plus a knitting factory and a shot blasting factory.

● Ash & Lacy Steel Products and Prince Cladding BV of Zoeterwoude, Holland, have won between them a £170,000 "Flociad" (coated contoured steel cladding system) contract for the exterior of a new animal hospital to be built on 139 acres of reclaimed land at Lelystad. The system has already been used under a £32,000 contract for Rotterdam's new city centre ice stadium, Europe's largest covered ice rink.

● An association of partitioning contractors and companies directly linked to the industry has been recently formed, with membership open to all companies operating within the industry, whether contracting or supplying components. Registered office is at Canberra House, 315 Regent Street, London W1R 7IB.

● Work has started on an advance factory of 2,100 square metres in the Merseyside special development area, under a contract worth about £335,700 awarded to Wm. Moss and Sons of Liverpool.

● The London Borough of Lewisham has awarded two contracts, valued at over £250,000, to Corral Construction (a Powell Duffryn company), for the rehabilitation and conversion of six houses in Kinver and Mayow Road, Sydenham, London SE26, into 20 modern flats and maisonettes.

COMPANY NOTICE

ENGLISH AND DUTCH INVESTMENT TRUST
(N.V. Engelsch-Hollandsche Beleggings Trust.
Established in Amsterdam

NOTICE IS HEREBY GIVEN that a MEETING of the HOLDERS OF THE PARTICIPATION CERTIFICATES issued pursuant to the Agreement of the 4th April 1929 and supplemental Agreement of the 14th April 1951 of which Royal Exchange Assurance is the present Trustee, will be held at the offices of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX on Tuesday the 21st day of November 1978, at four o'clock in the afternoon for the purpose of considering and if thought fit giving directions as to the manner in which Royal Exchange Assurance (as Trustee) is to exercise the voting rights attached to the Ordinary Shares of English and Dutch Investment Trust (herein called "The Company") at a Meeting of the Holders of Ordinary Shares of the Company which has been convened by the Company for the 4th December 1978, for the purpose of considering:

The nomination of Mr. J. P. Guepin and Mr. F. J. Van der Mell for consideration for the vacancy in the Directorship.

Dated this 13th day of November 1978.
ROYAL EXCHANGE ASSURANCE
Royal Exchange, London, E.C.3

Owners of Participation Certificates wishing to attend and vote at the Meeting must request the Authorised Depositaries holding their Certificates to obtain from Hill, Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX, at least three days before the said Meeting Voting Certificates which will enable them to do so. To obtain Voting Certificates the Authorised Depositary holding the Participation Certificates must deposit them with Hill, Samuel & Co. Limited to be held in deposit until after the Meeting or any adjournment thereof. Forms for this purpose may be obtained from the offices of Hill, Samuel & Co. Limited on request.

CONTRACTS AND TENDERS

YEMEN ARAB REPUBLIC
YEMEN GENERAL ELECTRICITY CORPORATION
RAS KATENIB HOUSING
COLONY—CONTRACT YEM020

It is the intention of the Yemen General Electricity Corporation to invite tenders for a housing colony comprising 200 dwellings, shops, recreational facilities, mosque etc., associated with a new thermal power station to be constructed at Ras Katenib, near Hodeidah on the Red Sea coast.

The scope of work will include site clearance levelling, roadways, drainage, all services and buildings of prefabricated and other forms of construction.

Tenders will be called for on a turnkey basis.

It is envisaged that a limited number of dwellings will be required to be complete, furnished and ready for occupation by September 1979. Contract completion by April 1981 is required.

Tenderers will be invited to put forward proposals for fencing the project.

Firms with adequate experience of comparable projects, preferably in the Middle East, who wish to tender are required to register by the 30th November 1978. Application must be made in writing to the Chairman, Yemen General Electricity Corporation, P.O. Box 178, Sana'a, Yemen Arab Republic (Telex 2275 YGEC YE) with a copy of their application to the Consulting Engineers, Kennedy and Donkin, Premier House, Woking, Surrey, United Kingdom (Telex 859123).

Firms whose registration has been accepted will be advised when tender documents are available for collection from the Woking office of Kennedy and Donkin. A non-returnable fee of 2000 Yemeni Rials or £230 sterling will be charged for each set of documents at the time of issue.

CHILE, SOUTH AMERICA
FOR SALE
12,610 acres of forest land planted with Insignis (Monterrey) pine (Pinus Radiata).
Industrial sawmill installations 20,000 CBM capacity, one shift. 310 acres yearly yield rendering approx. 45,000 CBM sawn lumber.
Very fast recycling—25 years.
Tenders to be submitted by 14th December 1978 in Santiago, Chile.
Full tender documentation available from:
Nitrate Corporation of Chile.
20 Ropemaker Street, London EC2Y 9AP.
(Telephone: 01606 7744.)

LEGAL NOTICES

No. 003535 of 1978
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of BOYLAN TOYS & LEISURE PRODUCTS LIMITED and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 3rd day of November 1978, presented to the said Court by LONDON STEEL TUBE MILLS LIMITED whose registered office is Nobel Road, Eley Trading Estate, Angel Road, Edmonton, London, N.18, a creditor, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 4th day of December 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his Counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

J. E. BARING & CO.,
74, Chancery Lane,
London WC2A 1AA.
Ref: JAH.
Solicitors for the Petitioner

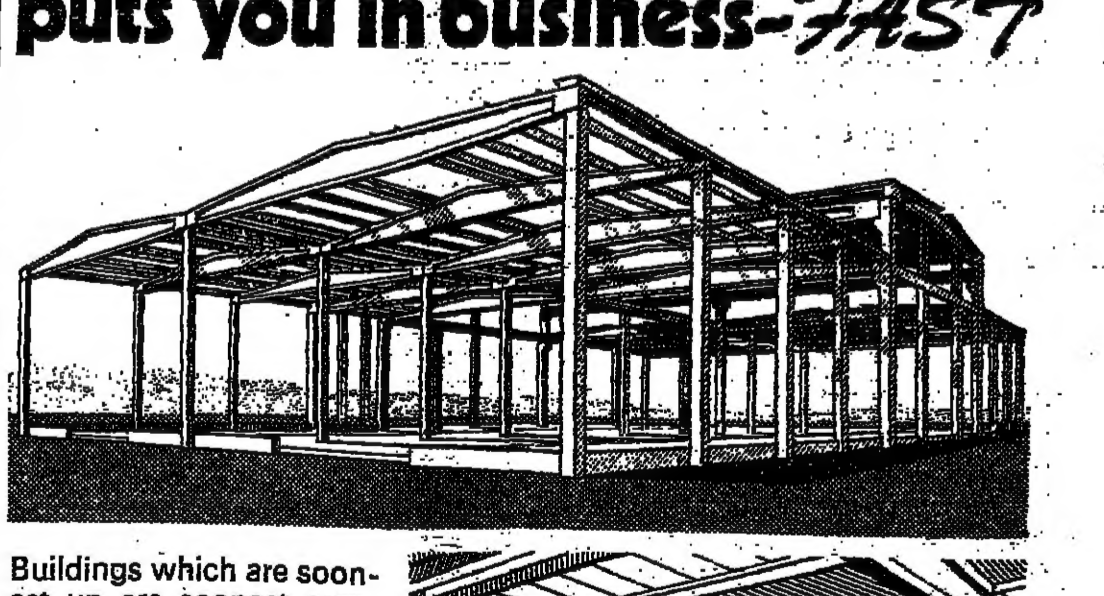
NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 1st day of December 1978.

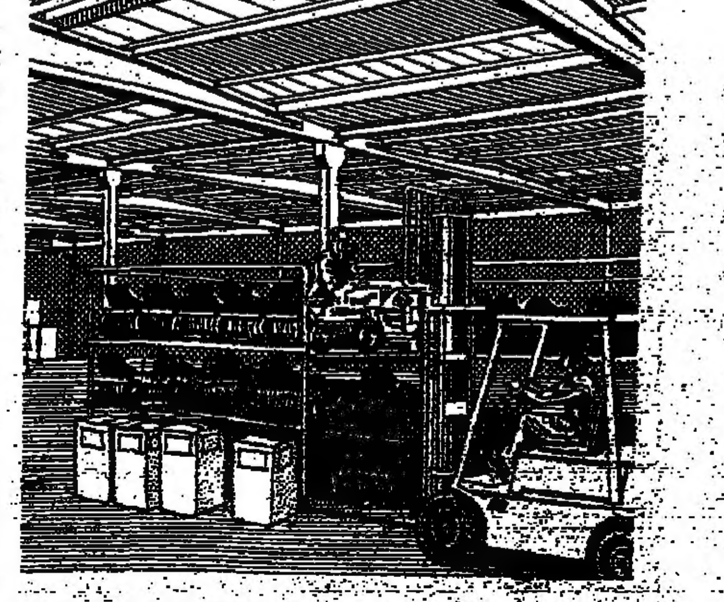
No. 003427 of 1978
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of WOODFIELD MOTORS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 26th day of October 1978, presented to the said Court by RADIAL LIMITED whose registered office is situate at, Hillway, Highgate, N6 6QE, Motor Component Distributors, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 27th day of November 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his Counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2/3 Hind Court,
Fleet Street,
London EC4A 3DS
Ref: F/TTR. Tel: 01-353 8511
Solicitors for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 24th day of November 1978.





The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

How two entrepreneurs shaped up to the challenge of launching a new game

BY NICHOLAS LESLIE

EVERY entrepreneur must dream of being given enough money—as a gift, and with no strings attached—to put his company on its feet. But to expect the dream to become reality? Preposterous, surely.

Well, it was not so for Mark Eliot and Brian Taylor. Just when they thought they would have to give up their plans to launch what they are convinced is the best board game since Scrabble or Monopoly they found they were saved quite literally, by a donation of £16,000.

As a result, they now seem to be on the threshold of scoring a major success with their game, which is called Skirrid. They reckon that by the end of the year, when the peak Christmas season is over, they will have sold 100,000 sets—and this in only the first full year of operations.

Because of their good fortune in getting such a sizeable cash gift Eliot and Taylor provide an extremely untypical example of what it is like to "do your own thing." But aside from this, they are ideal examples of entrepreneurs because they demonstrate clearly the kind of tenacity that is needed to develop a product to the point where it cannot be improved, to keep on lobbying for financial support, to market a product in the face of both resistance and apathy and to risk all one's own capital.

A notable feature of Eliot and Taylor's success to date is that it has been achieved by two such distinctly opposite types of character. Eliot, 38, is a rather quiet, self-confident director and producer of documentary films. Taylor, 41, is a boisterous, eccentric artist. Yet they both proved to be perfectionists when it came to creating a game which they felt would have widespread appeal and which could be played at different levels of intellectual challenge. And it was Taylor's ability to spark off ideas and Eliot's ability to harness them with commercial possibilities which led to the game being launched.

The two first met more than 18 months ago when they were near neighbours in the wilds of the Welsh countryside. But it was not until some months later, when both had moved to different homes that their plan was hatched. As Eliot describes it, the idea was to take two separate, but very old concepts—a board game and a game involving shapes—and combine them.

Arguments

They worked on this for six months last year, throwing out a multitude of ideas and getting embroiled in a whole series of arguments with one another. At the same time, they were researching their market to see what type of games were generally on sale.

The game Eliot and Taylor began to refine involved a board with numbered and blank squares with each player having a series of different shapes. The aim is to place the shapes over the squares in such a way as to cover as many numbers as possible. The greater the sum of numbers covered on each play the better; the highest eventual score wins. The concept is simple, but the game as now marketed can be extremely testing.

The two men, together with the third member of their team, Evelyne Lewiston, found themselves having to survive on £11 a week national assistance while they continued development after their savings ran out. Then, when it was clear they had something to produce, Eliot sold his house and raised £10,000. This, however, was eaten up fairly quickly.

Then, out of the blue, Eliot and Taylor's patent agent told them that an American was interested in their game and would they like £30,000? This seemed too good to be true, but it turned out to be a genuine offer. They met the American and reached a broad agreement whereby if the game was successful, the American would get royalties and if it wasn't he would bear the losses.

But before the agreement was signed the American disappeared. The patent agent was embarrassed and Eliot and Taylor were, to say the least, disappointed. However, Eliot was convinced the American was genuine and contacted various people whose names had been mentioned in conversation with him. Eliot's persistence was rewarded when he traced the American to a hotel in Los Angeles.

The American (whose name Eliot and Taylor keep closely to themselves) said he still had faith in the game, but was having to sort out some business problems. But as an act of good faith he gave them £5,000 immediately—this was in November, 1977—and promised that if he didn't sign an agreement and come up with the balance of £25,000 by December 22 he would give them another £10,000 as a gift.

Meanwhile, the game had gone into production with subcontractors. Eliot and Taylor committed themselves to an initial order of 5,000 but got a rude shock when, after contacting ten stores in various parts of South Wales—representing a cross section of toy shops, book shops and department stores—they got possible orders for just 500.

It is at this point that their tenacity again showed through. Rejecting the notion that they should try and sell their game to a toy manufacturer they started an extended tour of the ten stores, persuading the managers that they should be allowed to demonstrate the game and to challenge members of the public to play against them.

The upshot of this was that by Christmas Eve they had sold all 5,000 sets. At the same time, on December 22 and with no agreement signed with the American, another draft from him for £11,000 appeared in Eliot's account.

This gave them a considerable boost. But why, it can be reasonably asked, would anyone just give away £16,000? There seems to be no clear explanation other than that the American appears to have a habit of depositing cash with a variety of entrepreneurs, presumably making money with some and losing it with others.

Eliot realised that even more money—probably £50,000—was needed if the game was to be marketed as he saw fit. He was determined that, rather than give blanket exposure through advertising, sales should develop more by word of mouth recommendation. He wanted to sell it as a family game firstly to A and B category families where he felt a very strong commitment to the game could be achieved, before switching to a broader marketing strategy.

He tried the traditional sources of finance around the turn of 1977-78, and it was at this time that this page first came into contact with them since Taylor telephoned for advice on what sort of financing organisations existed.

Among those approached, unsuccessfully, were the Council for Small Industries in Rural Areas (Cosira), Hambros Bank and Industrial and Commercial Finance Corporation. All three, says Eliot, were sceptical to start with, but proved to be enthusiastic when they realised what the game was about. But because he and Taylor could not put up any capital themselves—their own savings and the £16,000 having been either spent or committed—none could help. Eliot, unlike some entrepreneurs who are extremely critical of finance institutions, believes their reticence in his case is entirely understandable.

Their problem was solved by two brothers—Des and Ormond Thomas—who own a company in South Wales making specialist products for the steel industry. In seven years they have built up a turnover of around £1.5m. They came into contact with Skirrid by way of their accountant, who knows Eliot and Taylor's solicitor. After doing a complete appraisal of Skirrid they were convinced of its possibilities. The Skirrid Company was therefore formed, owned 50 per cent by Eliot and 50 per cent by the Thomas's company, called Goricon Metallurgical Services.

The Thomas's believed, however, that Skirrid needed more than £50,000 if it was to achieve its potential. Therefore, they agreed to guarantee a facility for Skirrid of up to £100,000.

The Thomas's believe that their risk is limited. If the game does badly they will at least have stocks which can probably be sold over a period, thus eliminating any sizeable loss. If it does well, then so do they.

Taylor, meanwhile, has a royalty agreement, but little to do with the company other than helping to promote it. Having helped to invent it he now wants to get back to his painting and is happy to leave Eliot to run it as a business.

Whether it develops into a manufacturing operation has yet to be decided as it is still early days. But, as Eliot points out, even though he is not particularly interested in that side of business—his forte is clearly marketing—his partners know all about manufacturing.

Meanwhile, what does Skirrid mean? At the moment, nothing. The name, after much heart-searching and argument, was taken from a mountain called Skirrid near Abergavenny, in Wales, where Eliot now lives (Taylor lives miles away in Brighton). But the fact that it means nothing is seen as an advantage, because Eliot and Taylor aim to make it mean something — their game.

Alan Ansell

Brian Taylor (left) and Mark Eliot, co-inventors of Skirrid, a new board game. They are currently sponsoring, in conjunction with Trinity House, a Skirrid competition among Britain's lighthouse keepers.

EXECUTIVE HEALTH — BY DR. DAVID CARRICK

The secret fears that can cause so much distress

. . . a physician unable to heal himself. . . .

WHEN I was a medical student, and therefore knew everything, a friend presented me with a problem of magnitude.

I had not see him for two years during his National Service stint, and I was shocked by the change in him, physically and mentally. He had been a good boxer and a fearless rugger player who was frightened of nobody: now he was a timorous shadow of himself and at least two stone lighter. Once I had envied his academic prowess: now he was apathetic and had decided against resuming his interrupted studies, irrevocably turning to channels mediocre and mundane.

Questioning him was useless and even threatened a long friendship. All I could do was to wait for him to fill me in on his unpretty picture. The moment came one night in a pub when, after I had plied him with drinks I could ill afford, he suddenly sighed and muttered: "Old sins cast long shadows, don't they?"

Lugubrious

I supposed so, and asked him which ones he had in mind. His story, even told in a lugubrious fashion, would have been amusing had his state not been so abject. Apparently, when stationed in the Middle East, some of his faintly coarse soldier chums had clubbed together to buy him a novel birthday present—a local lady of distinctly dubious repute. The party was very fluid and my poor friend remembered nothing until he awoke next morning with a hangover *and* the alarming lady.

Although his evidently helpless state must have precluded any activity save drunken slumber, he had somehow convinced himself that he had contracted what Victorian advertisers delicately called "a secret disease." Everything was against it. Dates were wrong: symptoms and signs were wrong: but nothing I said could convince him. Reluctantly he showed me some tender, enlarged lymph-nodes in one groin which, in fact, were due to infected mosquito bites on his leg.

But nothing would shift his black belief. With great difficulty I persuaded him to visit my teaching hospital for conclusive tests and I only succeeded because I was now his physical superior. During the three days awaiting the results, I had to watch him very closely as his agitation and depression were dangerous.

Naturally all tests were negative, and the change in the man was incredible. His appetite was voracious and he regained his weight in a fortnight. His psychological health also recovered but, alas, his old moral strength made him pursue the paths he had selected, abandoning intellectual pursuits. He is still in the same mundane job, and the fact that he earns three times more than I do is neither here nor there. But he still has moments of regret that just one stupid practical joke bent his life irretrievably.

His was a case of chronic stress reaction and quite understandable. Many executives and others nurture secret fears about illnesses (usually more decorous and more dangerous) which ferment like yeast within them and become potent stress factors contributing to anxiety reactions. By and large, however, the average executive can withstand one or even two stress factors, but many give way before three or more.

Commonly one sees a man or woman displaying recognisable symptoms — leaden fatigue, anxiety, headaches, irritability, insomnia etc—and frequently two factors can be found with ease. It may be that the individual is unhappy at work but can escape to domestic bliss. This stress he withstands. Sometimes there is a reversal so that he escapes to work from a home where bitterness reigns. Even this stress he may withstand. If *both* work and homelife have gone sour, danger signs appear. But usually there is a third factor.

This may be fear of illness or increasing debts or other matters. Too often, however, both patient and doctor may forget a stress factor as puissant as it is malignant. It is overlooked because it is acute-on-chronic and is as difficult to find as one needle among many.

Demands

I refer to demands from the Inland Revenue persons: demands frequently couched in libellous terms and with barely hidden threats. They are not sent to the mediocre: only to those who, through some extra talent or enterprise, are able to earn a little more through art, writing, or individual enterprise. Constant blights on their initiative, they even drive some to tax-havens.

The doctor can help with many matters. He can advise: he can intercede: he can use medication and so remove many stresses. But when it comes to entering the lists against the modern "publicans," the insolence of their brown enveloped darts, dipped by the pusillanimous in the poison of privileged calumny, little can be done by a physician unable to heal himself from this modern "secret disease," which wounds and scars more certainly than even that which was once called the Great Pox.

LOMBARD

A fairer deal for pensioners

BY ERIC SHORT

THIS WEEK old age pensions rise by 11½ per cent in this year's annual revaluation of pensions. Next month, pensioners receive another tax-free Christmas bonus of £10. So it is opportune to ask whether we treat our senior citizens fairly.

The Government is confident that pensioners get a good deal. Mr. David Ennals, the Social Services Secretary, when announcing the Christmas bonus, pointed out that, after the pension increase, which is well above the rate of price inflation, pensioners will be 20 per cent better off in real terms than when the Government took office early in 1974.

Mr. Stanley Orme, the Pensions Minister, is even more emphatic on this score. He strongly asserts that the Government can be proud of its record over old age pensions.

Yet the response from the pensioners themselves to this question is a resounding No! At least, this was the message from thousands of pensioners who rallied a few weeks ago in Trafalgar Square under the TUC banner to demand an immediate substantial rise in pensions.

Better off

Well, who is right? The answer, paradoxically, is that both are. Pensioners are better off in real terms compared with five years ago. But the original pension level was abysmally low. A 20 per cent improvement on very little is still quite small. What the Government has overlooked is that pensioners' expectations have risen even more rapidly than the pensions. And they are making their grievances known more forcibly.

The demands of pensioners have been fuelled by the introduction of the new State pension scheme. This, when it reaches maturity in 20 years, will provide a reasonable pension to all who retire after that time. But, for existing pensioners, it provides nothing extra. Naturally, they are asking why the next generation of pensioners should be treated better than the present generation.

The pensioner organisations are also not happy with the amount of this week's increase. Although it is well above the rate of price inflation, there are doubts whether it will match the increase in earnings over the 12 months from last November.

When the Labour Party was fighting the February 1974 election, it promised that pensions would be revalued in line with earnings or prices, whichever was the more favourable. The Conservatives specified only that pensions would be kept in line with prices. Mrs. Barbara Castle, that fiery champion of pensioners, was emphatic that pensioners should share in the prosperity of the country by having pensions linked to earnings.

But, when the legislation to implement this promise was enacted, the wording was left very loose. Effectively, the Secretary of State must revalue in line with earnings or any other measure he thinks fit. An attempt by three pensioners last year to challenge in court the past action of the Secretary failed.

The current rise, which was announced in April, was based on a forecast of earnings increases between November, 1977, and November, 1978. The previous upratings in 1976 and 1977 were based on forecasts of price inflation, since these were higher than earnings, and in both cases the forecasts were extremely accurate. But what happens if, this year, the forecast turns out to be too low? This has not happened before.

Mr. Orme has reaffirmed that the Government will stand by its promise of revaluing in line with earnings. But he is not going to admit that the forecast may have been wrong until the official figure for the period is published. This will not be until January. And, since it takes six months to implement an increase, the only practical course would be to add any shortfall to next year's uprating.

Too severe

But pensioners have the feeling that, as long as the increase exceeds the rate of price inflation, nothing further will be done. The impression coming strongly from the Treasury is that it is not happy with revaluing pensions in line with earnings and never has been. This method imposes too severe a burden on the Exchequer at times when it is trying to keep public expenditure under control.

If this is the view, then a definite statement of policy needs to be made. There is a strong case for formalising pension increases, as there is with Civil Service pensions, based on historic movements of earnings or prices. Pensions ought not to be regarded simply as part of public expenditure. But this can only happen if a much clearer line than at present is drawn between national insurance contributions and general taxation.

THE WEEK IN THE COURTS

Inflation casts a shadow over damages awards

BY JUSTINIAN

"INFLATION is an economic and financial condition of general application in our society." Those words, when written by Lord Scarman, were not intended to be a grandiloquent Anglo-Saxon response to the curt North American query, "Buddy, can you spare a dime?" Indeed, the speech containing them was one of five speeches in the House of Lords in the appeals of *Pickett (Administratrix of the Estate of Ralph Henry Pickett deceased) v. British Rail Engineering Limited.* It was a case concerned not with dimes but with damages.

The case before the House of Lords raised three questions: damages for loss of earnings; damages for pain, suffering, and loss of amenities; and interest on the damages for pain and suffering.

From 1949 to 1974 Mr. Pickett had worked for British Rail Engineering in the construction of the bodies of railway coaches. This work involved contact with asbestos dust. In the spring of 1974 he became short of breath. He underwent medical treatment and investigations. An operation in January 1975 revealed a malignant tumour which covered the whole of his right lung. This tumour resulted from asbestos dust which Mr. Pickett breathed during the years when he was working in the workshops of British Rail Engineering. The tumour could not be removed entirely.

On July 14, 1975, he started proceedings by issuing a writ against his employer claiming damages for negligence and/or breach of statutory duty. The issue which was in dispute was the amount of damages he should be awarded.

An Appeal

On October 12, 1976, Mr. Justice Stephen Brown awarded damages under various heads. These included £7,000 by way of general damages for pain, suffering and loss of amenities; £787.50 as interest on the £7,000 at 9 per cent from the service of the writ and £1,508.88 as a net sum in respect of loss of earnings. The £1,508.88 was calculated from a finding of fact based on medical reports that Mr. Pickett's life expectancy had been reduced to one year from the date of trial, and the loss of earnings was confined to that period, which was the period of his likely survival.

In addition Mr. Justice Stephen Brown awarded Mr. Pickett £500 for loss of expectation of life. The overall award of damages amounted to £14,947.64.

At the date of the trial, Mr. Pickett was a married man of 53 with a wife and two children. His wife was then 47. Before he became short of breath in 1974, he had been "a very fit man who was a non-smoker, a cyclist of great accomplishment, for he had been a champion cyclist of apparently Olympic standard, and he was still leading a most active life in March, 1974, cycling to work each day."

Mr. Pickett appealed against the judgment to the Court of Appeal. The appeal was heard in November, 1977. But unfortunately Mr. Pickett died as a result of his mesothelioma of the lung on March 15, 1977, less than four months after he had obtained judgment. An order to carry on his appeal was made in favour of his widow, who was the administratrix of his estate.

The Court of Appeal increased the damages for pain, suffering, and loss of aminities from £7,000 to £10,000, but refused to award any interest on that sum. Likewise, the Court of Appeal made no award for loss of earnings beyond the period for which Mr. Pickett actually survived.

Mrs. Pickett appealed to the House of Lords. She claimed that a larger sum than £1,508.88 should be awarded in respect of her husband's loss of earnings and that interest should be awarded on the damages of £10,000.

British Rail Engineering also appealed to the House of Lords against the award of £10,000.

The House of Lords awarded prizes to the appellants all round: one to British Rail Engineering, and two to Mrs. Pickett. The Court of Appeal's damages of £10,000 were removed, and the trial judge's award of £7,000 was restored.

The Court of Appeal's refusal to award interest on the damages was reversed: and the trial judge's award of interest was reinstated.

But the most significant aspect of the appeal to the House of Lords was the decision by a majority of four Law Lords to one to allow compensation to be awarded for loss of earnings in respect of the years of life of which he had been deprived as a result of his tragic death.

For many years it was the general understanding among lawyers that in circumstances such as Mr. Pickett's any award of damages for loss of future earnings should be restricted to the sum which the injured person would have earned but for his accident during what remained of his shortened life.

This notion of the law had prevailed because of a decision to this effect by the Court of Appeal as long ago as 1962 in *Oliver v. Ashman.*

Not until Mrs. Pickett's appeal to theh House of Lords was the opportunity seized for a fresh approach to this aspect of the law of compensation for personal injuries. It may be called proper compensation for "the lost years."

The underlying reasons for the decision of the Court of Appeal in *Oliver v. Ashman* were given in the judgment in that case of Lord Justice Willmer when he said that "what has been lost by the person assumed to be dead is the opportunity to enjoy what he would have earned, whether by spending it or saving it. Earnings themselves strike me as being of no significance without reference to the way in which they are used. To inquire what would have been the value to a person in the position of this plaintiff of any earnings which he might have made after the date when ex hypothesi he will be dead strikes me as a hopeless task."

Wage earner

In the same case, Lord Justice Pearson said that in his view "the conventional sum" to be awarded for "loss of expectation of life should be regarded as covering all the elements of it—e.g. joys and sorrows, work and leisure, earnings and spending or saving money, marriage and parenthood and providing for dependants—and should be regarded as excluding any additional assessment for any of those elements." At that time, the conventional sum was £500.

Sixteeen years later, in 1978, in Mrs. Pickett's appeal, Lord Wilberforce said that "In the case of an adult wage earner with or without dependants who sues for damages during his lifetime, I am convinced that a rule which enables 'the lost years' to be taken account of comes closer to the ordinary man's expectations than one which limits his interest to his shortened span of life. The interest which such a man has in the earnings he might hope to make over a normal life, if not saleable in a market, has a value which can be assessed. A man who receives that assessed value would surely consider himelf and be considered compensated — a man denied it would not."

And so, "the hopeless task" of 1962 has become "the ordinary man's expectations" of 1978.

The actual assessment of Mr. Pickett's compensation for loss of earnings during "the lost years" has yet to be made, in the Queen's Bench Division, in accordance with an order of the House of Lords.

In extending the range of compensation beyond the period of survival to "the lost years," the House of Lords has moved one step forward.

RUGBY BY PETER ROBBINS

All Blacks snatch victory merited by Wales

IT IS SAID that New Zealanders wear black as a sign of sympathy and respect for their mourning opposition. Wales will mourn forever the 12—13 defeat and the country's grief was made more poignant by the timing of New Zealand's winning penalty.

With a minute or normal time left, Haden was barged out of a line-out and McKechnie, who had come on for the concussed Currie after 11 minutes, calmly kicked the goal. It was a cool blow and rivals Don Clarke's sixth penalty against the 1959 Lions in New Zealand.

There was, of course, far too much at stake. It was national pride more than the reputed world championship. Fanaticism in anything is dangerous, and there were far too many late tackles and obstructions for good taste. Oliver blemished his image several times and was fortunate to stay on the field.

Any game between these two countries is a great occasion, and the Welsh pack showed it was far from geriatric. The forward battle had to be won, and so it was, thanks to a tremendous display by Price, Windsor and Faulkner in the tight. New Zealand have visibly improved their scrummaging since their match against Ireland but Wales managed to wield them to make life difficult, and prevented Loveridge from getting the ball away smoothly.

The critical defensive posture was assumed in the loose play, where the ferocity of the close tackling by Quinnell, Squire and Wheel was such that at no time could the All Blacks mount those awesome forward surges. The Welsh simply staunched that area, and piled into the rucks with such terrifying intensity that they won the better possession exept in the first 20 minutes of the second half.

It was that sort of commitment which gave Wales a marvellous start, and Davies had kicked two penalties within 10 minutes from errors induced by collective pressure. When Fenwick kicked a third penalty after 23 minutes, New Zealand were in serious trouble.

Wales cleverly varied their line-out, where Martin, Quinnell and Squire eclipsed Haden and Oliver. Both sides abbreviated the line-out, but Wales had a variety of trajectory and length that disconcerted the All Blacks. Squire combined with Quinnell extremely well and their fellow back row player, Ringer, came of age in the second half.

It was defence rather than attack which almost won the game for Wales and Gravell and Fenwick were unrelentingly courageous in their tackles. They hurled themselves on to the recipient of the high ball and grappled for possession like tight forwards. Fenwick is not a classic centre but his presence was a great comfort to the others.

Great chance

But chances to attack came mainly from Davies's tactical kicking. He and Holmes both did well and Holmes's assets of strength and pace in the open were quite patent.

It was perversely, a break of his which helped show up Wales's main deficiencies. Having cleared the primary defence, Holmes cut right to J. J. Williams' wing. The winger insensibly changed his own line of running, leaving Holmes's pass with no objective. This was the sort of chance which Gerald Davies would not have passed up. Williams was also defensively uncomfortable against his namesake, B.G.

Rees had a further great chance to score but completely missed Fenwick's pass. Such errors are human but costly and it really is difficult to see how Elgin Rees of Neath can be left out.

J. P. R. Williams had hoped for a more fluid game from Wales but, after an exploratory sortie early on, he lay deep in defence and strangely fumbled several kicks. Only time will tell whether his old daring is still there with the foolhardiness, which has been tempered. As ever, his tackling, particularly on B. G. Williams, was firmness itself.

New Zealand, who found themselves nine points down after a quarter of the game, had only one solution. They were blocked up front so their attacks had to come from behind the scrum. Since Fenwick and Gravell could not be bypassed, these had to be counter-attacks from Welsh kicks.

Davies's kicking was not always accurate, and Osborne launched a brilliant counter in the first half with Wilson coming inside and the ball finally going to ground. It was a missed chance to match McKechnie's penalty kick which hit the post from only 35 yards. In vain, New Zealand tried to bring Williams into the centre from the left wing, because Gravell tackled him every time.

The All Blacks did get their score, and began significantly as they destroyed the Welsh scrum for a change. Loveridge then kicked high, and when Holmes was pinned, New Zealand quickly formed a ruck. Bush, who played well apart from the rancid opening minutes, got the ball away for Osborne to chip ahead and Wilson to score a splendid try.

This was absolutely essential, and when Davies kicked his third penalty (12-4), New Zealand badly needed another hit. McKechnie kicked a vital penalty on half time, another 15 minutes later, and of course that final and bitter shot.

The All Blacks had had their best period in the first span of the second half, when their improved scrum was quite conspicuous. Johnstone and Bush did well to resist Price and Faulkner so well, but Oliver and Haden were less evident than last week.

Mourie, who again played so well with Rutledge, will take pride in the win, but will realise how lucky his team was to get away with a victory which rightly belonged to Wales.

TENNIS BY JOHN BARRETT

The two faces of tennis tournaments in Britain

THE £1,000 Slazenger Tournament at the Palace Hotel, Torquay last week—with 10 events involving some 200 competitors—brought to a close the British domestic season. Tomorrow at Wembley begins the £88,000 Benson and Hedges Championship, part of the Colgate Grand Prix, where 32 just players will compete.

The contrast could hardly be greater, but both tournaments have an important part to play in the rich fabric of the competitive game.

Unquestionably Torquay is closer to the beginnings of tennis, in combining serious competition with a busy social programme. The prize money (£75 to the singles winner) was minimal but important enough to encourage the participation of some of the best national youngsters. These players were equally enthusiastic about the Friday night cabaret performed traditionally by the players and the Press.

This mixture of inventive improvisation and unscripted clangers is always tremendous fun. The sight of Ann Jones's husband Pip dressed as Chris Evert being pursued by King Kong in the person of Richard Lewis was one I would not have missed for the world. Equally amusing was the light-hearted pentathlon event which tested a range of skills as diverse as squash, snooker, table tennis, putting and snap.

That two local players, Jonathan Smith of Exeter and Corinne Molesworth of Brixham, should have won the singles titles in fields which contained the Davis Cup men Lewis and David Lloyd and the ex-Wightman Cup heroines Mrs. Jones and Winnie Wooldridge, was a healthy reminder that national standards are rising.

Smith, having beaten Lloyd in the semi-final, came back from being one set and 0—3, 0—40 down in the final to beat the 1976 national under-21 champion John Whiteford of Sussex 3—6, 7—6, 6—3.

Miss Molesworth, a former Wightman Cup player herself who, at 29, is desperately keen to climb back from 11th position to near the top of the British rankings, was also in trouble in her final against Fiona Moffitt, the much improved 18-year-old from Teignmouth.

Only Miss Molesworth's greater experience in the crisis of the middle set, when she trailed 3—5, enabled her to win an intriguing battle of thoughtful and fast baseline rallies, interspersed with clever drop shots, 2—6, 7—5, 6—1.

But Miss Moffitt, who was given a walk-over into the final by the injured Mrs. Jones, did enough to suggest that the faith of her local council, who have opened a fund for her, will be rewarded. She takes her first steps along the hard professional road next January in the Avon Futures circuit thanks to this support.

Courageous

The decision of another well known name from yesteryear to attempt a comeback at the age of 25, after two years of coaching in America, is a courageous one. Those who may have asked, "whatever happened to Stephen Warboys?" now have the answer and, on the evidence of Torquay, where local boy Patrick Hughesman beat him in the opening round, the task facing the former child prodigy will be painful and prolonged. Certainly Warboys has the talent to succeed and he is now older and wiser. But whether he has the character remains to be seen.

The sponsors at Wembley this week will be disappointed that neither the holder, Bjorn Borg of Sweden nor the 1976 winner, Jimmy Connors of America, will be competing—not least because their advertisements for the event, carefully worded but misleading, suggested that these two would be among "the world's top players." The fact that virtually every other player among the top 30 in the world is competing (Manuel Orantes of Spain is a late withdrawal through injury) is only partial compensation.

The award of two wild card places to David Lloyd and the fourth ranked Briton Richard Lewis is to be commended.

In fact Britain's national team manager Paul Hutchins will doubtless be anxious to get his men away to practice camp next week as he did with such success before the semi-final against Australia.

The signs are that a strong body of support will accompany the team to Palm Springs next month and one party is being organised by the All England club. This will be one of the last official tasks to be undertaken by the secretary-general, Major David Mills, who last week announced that he will be retiring from the post following next year's championships.

During 31 years' association with the club David Mills has contributed much to the continued growth and prosperity of Wimbledon.

His wish to retire early at the age of 60 is understandable, for the strains of helping to run the world's greatest championship must be considerable, and he probably feels that his successor, Christopher Gorringe, who has been the assistant secretary for four years, has the necessary youth and experience to make a success of it.

RACING BY DOMINIC WIGAN

Champion Carson ends season with another hat-trick

THE 1978 FLAT racing season, by and large a remarkably unmemorable affair in terms of top-flight performers, ended on a predictably high note for the new champion Willie Carson at Doncaster on Saturday.

The 37-year-old Scotsman, whose seesawing tussle with Pat Eddery for the championship turned into something approaching a walkover once the champion's 120-strong Seven Barrows team succumbed to the virus in mid-summer, wound up the season with another hat-trick. This followed an 807-1 treble on the previous day at Doncaster.

However, an ironical feature of Carson's final day in the saddle was that the nerveless calm and audacity with which he had landed so many prizes beyond other jockeys in the preceeding nine months proved his downfall in the big one, the William Hill November Handicap.

Taking the chance that his mount Falls of Lora would somehow get a run along the far rails in the 21-runner field, Carson found that his gamble was failing a furlong from home as Majestic Maharaj abruptly stopped in front of him.

Forced to sit and wait on the Arundel filly with nowhere to go, Carson had the exasperating experience of seeing the trio on his outside, Eastern Spring, Deep River, and St. Briavals, fighting out the finish to a race which could well have been his, given a little more luck in running.

But for that unfortunate race, which could also have been forfeited if he had wasted valuable ground and energy in switching round rivals to the outside earlier on, and the occasional slip-up which the law of averages demands with the human element, Carson unquestionably had an outstanding season.

He regains the championship which Lester Piggott decided to abandon a few seasons back with the remarkable tally of 182 winners, the highest total since Piggott had notched up a few more in 1966.

This afternoon at Fontwell my idea of the safest bet on a small but tricky car is Toby Balding's young hurdler New Hear. This among the runners for the Goring Novices' Hurdle. Fit from the Flat, this Weyhill three-year-old completely outclassed 20 opponents at Worcester 10 days ago, running out an eight-lengths winner from Aytidefs.

With Nicky Henderson's Chelsea Bar and the Fred Winter-trained All Amber declining the engagement, Now Hear This should have few problems in following up.

Half-an-hour earlier I intend taking a chance with Colonel Mustard in the Bury Chase. Tim Forster's ten-year-old probably found the two miles and six furlongs slightly beyond him last time out, and I am hopeful that the return to 2½ miles in today's race, which he incidentally landed a year ago, will see him improved.

FONTWELL

1.00—Service Charge
1.30—Railway City
2.00—Cornbury
2.30—Dornie
3.00—Colonel Mustard**
3.30—Now Hear This***

TV/Radio

† Indicates programme in black and white

BBC 1

9.38 am For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 The Flumps. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 The Mole as a Chemist. 4.25 Jackanory. 4.40 C. B. Bears. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Ivor the Engine.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
7.00 Tycoon.
7.50 The Royal Variety Performance in the presence of The Queen Mother, part 1.
9.40 News.
10.05 The Royal Variety Performance, part 2.
11.20 The Lord Mayor's Banquet from the Guildhall in the presence of the Prime Minister.
11.50 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 pm Pili Pala. 2.18-2.38, For Schools. 4.40-5.00 Slangdifang. 5.55-6.20 Wales Today. 6.40-7.00 Heddiw. 11.50 News and Weather for Wales.

Scotland—10.00-10.20 am For Schools (Around Scotland). 5.55-6.20 pm Reporting Scotland. 11.50 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.05 am The Role of the Nurse.
10.30 Too Big to Bargain With?
11.00 Play School.
2.15 pm Let's Go.
2.30 Roads to Conflict.
3.00 Knitting Fashion
3.30 Making Toys.
4.00 Parents and School.
5.25 News on 2 Headlines with sub-titles.
†5.40 pm Laurel and Hardy Showcase: "Below Zero"
6.00 The Fishing Race.
6.25 The Devil's Music
6.50 And Now the Good News
7.15 Mid evening News.
7.20 Chronicle.
8.10 The Light Fantastick.
9.00 Monty Python's Flying Circus.
9.30 The Body in Question
10.20 Word for Word.
10.30 Exploring Photography
11.15 Late News.
11.30 Closedown (reading).

LONDON

9.30 am Schools Programmes. 12.00 Paperplay. 12.10 pm Rainbow. 12.30 What About the Workers? 1.00 News plus FT index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon. †2.25 Monday Matinee, "The Third Man," starring Joseph Cotton, Orson Welles and Trevor Howard. 4.20 Clapperboard. 4.45 The Tomorrow People. 5.15 Mr. and Mrs.
5.45 News.
6.00 Thames at 6.
6.25 Help!
6.35 Crossroads
7.00 Coronation Street
7.30 Robin's Nest.
8.00 "The Mackintosh Man," starring Paul Newman, Dominique Sanda and James Mason.
10.00 News.
10.30 World in Action.
11.00 The Love Goddesses.
12.25 am Close: Derrick Gilbert reads a poem by Robert Herrick.

All IBA Regions as London except at the following times:—

ANGLIA

12.30 pm The Electric Theatre Show. 1.25 Anglia News. 2.00 Houseparty. 2.25 Mystery Movie—McMillan and Wife. 5.15 University Challenge. 6.00 About Anglia. 11.00 The Making of Star Wars. 12.00 Reflection.

ATV

12.30 pm George Hamilton IV. 1.20 ATV Newsdesk. 2.25 The Matinee Idols: "Anastasia" starring Ingrid Bergman and Yul Brynner. 5.15 In Search of ... Anastasia. 6.00 ATV Today. 11.00 The New Avengers.

BORDER

12.30 pm Wildlife Cinema. 1.20 Border News. 2.00 Houseparty. 2.25 Matinee: "Great Catherine" starring Peter O'Toole. 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 Cartoon Time. 7.30 Mr and Mrs. 11.00 Raffles. 11.55 Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's on Where. 2.25 The Monday Matinee: "Flight of the Doves." 5.15 University Challenge. 6.00 Channel News. 6.10 Questions? Nine. ... 7.30 Botanic Man. 10.28 Channel Late News. 10.32 Present Challenge. 11.30 Twist in the Tale. 12.25 am Channel Gazette followed by News and weather in French.

GRAMPIAN

9.25 am First Thing. 12.30 pm Make It Count. 1.20 Grampian News Headlines. 2.25 The Regions Report. †2.55 Monday Matinee: "The Ghost Goes West" starring Robert Donat. 5.15 University Challenge. 6.00 Grampian Today. 6.05 Laverne and Shirley. 11.00 Reflections. 11.05 Quincy. 12.00 Grampian Late Night Headlines.

GRANADA

12.30 pm Farmhouse Kitchen. 1.20 Dodo. †2.25 Monday Matinee—Frank Finlay in "Robbery." 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Botanic Man. 11.00 Danger in Paradise. 11.55 George Hamilton IV.

HTV

12.30 pm Make It Count. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 2.25 The Regions Report. 2.55 The Monday Matinee: "A Deadly State of Mind." 5.15 The Undersea Adventure of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 11.00 Streets of San Francisco.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 6.00-6.22 Y Dydd. 10.30-11.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

12.30 pm Farmhouse Kitchen. 1.25 News and Road Report. 2.25 Regions Report. 2.55 Monday Matinee: "What Are Best Friends For." 5.15 Dodo the Space Kid. 5.20 Crossroads. 6.00 Scotland Today. 6.25 Crimedesk. 6.30 Wait Till Your Father Gets Home. 11.00 Late Call. 11.05 The Detectives—McCloud.

SOUTHERN

12.30 pm Make It Count. 1.20 Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "Bus Stop" starring Marilyn Monroe. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 10.30 Southern News Extra. 10.35 Face to Face. 11.05 World in Action. 11.35 George Hamilton IV. 12.05 am Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 12.30 pm Wildlife Cinema. 1.20 North East News and Lookaround. 2.25 Family. 3.20 Generation Scene. 3.35 Cartoon Time. 3.50 Lassie. 5.15 University Challenge. 6.00 Northern Life. 6.30 Police Call. 11.00 Raffles. 12.00 Epilogue.

ULSTER

12.30 pm Make It Count. 1.20 Lunchtime. 2.00 See You Monday. 2.25 Regions Report. 2.55 Monday Matinee: "The Great Ice Rip Off" starring Lee J. Cobb and Gig Young. 4.18 Ulster News Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Reports. 6.35 Laverne and Shirley. 11.00 Monday Night. 11.10 Review. 11.40 In Search of ... Ghosts. 12.05 am Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Farmhouse Kitchen. 1.20 Westward News Headlines. 2.25 The Monday Matinee: "Flight of the Doves" starring Ron Moody. 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 7.30 Botanic Man. 10.28 Westward Late News. 10.30 Present Challenge. 11.30 Twist in the Tale. 12.25 am Faith for Life.

YORKSHIRE

12.30 pm Farming Outlook. 1.20 Calendar News. 2.25 Family. 3.20 Heart to Heart. 3.50 Andy. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 11.00 Barnaby Jones. 11.35 Oscar Peterson presents Count Basie.

RADIO 1 247m

(S) Stereophonic broadcast
(b) Binaural broadcast
†Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Stayin' Alive. 7.30 As Radio 2. 10.00 Newsbeat. 10.05 John Peel (S). 12.00-12.02 am As Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Tony Brandon (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 BBC Northern Radio Orchestra (S). 7.30 Alan Dell: The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Pop Score. 10.30 Star Sound. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 464m, Stereo & VHF

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Hummel (S). 10.00 Talking About Music (S). 10.30 Violin Recital (S). 11.20 BBC Symphony Orchestra (S). 1.00 pm News. 1.05 Bristol Lunchtime Concert (S). 2.05 Music for Organ (S). 2.50 Matinee Musicale (S). 3.50 New Records (S). 5.15 Bandstand (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 At Home: Music for Brass and for Guitar (S). 7.30 Salzburg Easter Festival 1978: Beethoven concert: part 1 (S). 8.05 The Four Seasons. 8.20 Salzburg Easter Festival 1978, part 2 (S). 9.15 A Claim to Greatness: inquiry into the reputation of Dylan Thomas. 10.15 The English Baroque Ensemble (S). 10.30 The Dure Epidemic (investigation into dementia). 11.15 Jazz in Britain. Bob Downes's Alternative Medicine (S). 11.45 News. 11.50-11.55 Tonight's Schubert Song.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Week. 6.30 Today, Magazine, including 6.45 Prayer for the Day. 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on Four. 8.43 John Ebdon and the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Frank Buchman: Conscience of the World (an examination of the Moral Rearmament movement). 11.50 Announcements. 12.00 News. 12.02 pm You and Yours. 12.27 Top of the Form. 12.55 Weather; programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: News Magazine. 5.55 Weather; programme news. 6.00 News. 6.30 Dr. Finlay's Casebook. 7.00 News. 7.05 The Archers. 7.20 From our own Correspondent. 7.45 The Monday Play (S). 9.15 The Lord Mayor's Banquet from the Guildhall, London. Weather. 10.00 The World Tonight. 10.30 The Sacred Grove (S and b). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

London Broadcasting

261m and 97.3 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.30 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.03 As Radio 2. 12.05 am Question Time from the House of Commons. 1.05—Close: As Radio 2.

BBC Radio London

206m and 94.9 VHF

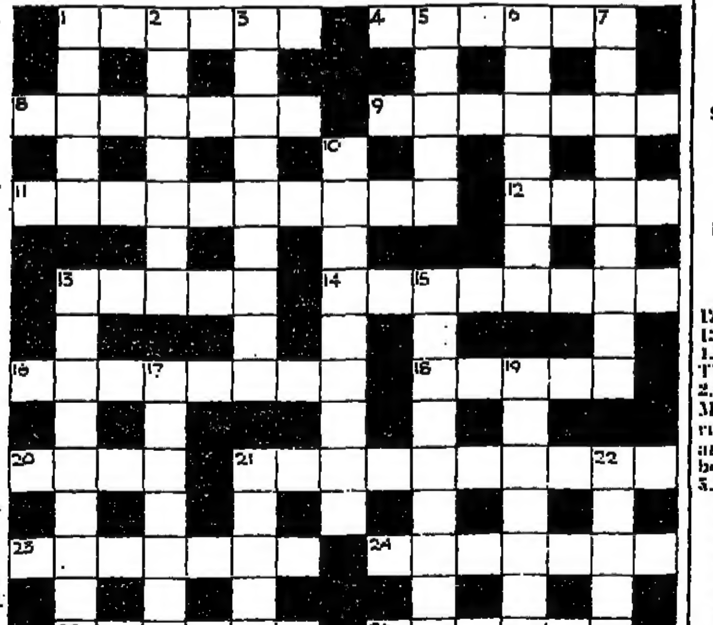
5.00 am Morning Music. 6.00 A.M.: non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 am Graham Dene's Breakfast Show (S). 9.00 Tony Myatt (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Bryan Wolfe's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Mike Smith's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,821



ACROSS

1 A teacher of the highest grade finds it an advantage (6)
4 In the forest Ron grows powerful (6)
8 Dotty artists go to work (7)
9 Dick turns up in Spain (7)
11 Just a scrap, it costs nothing (4, 3, 3)
12 One within a point of game can be terrible (4)
13 The doctor's back to be ready for the sweep (5)
14 Drug to dull sorrow (8)
16 Disciplinarian puts a spike in the market (8)
18 It proves the Olympians were anaemic (5)
20 Italian city with a street in excellent surroundings (4)
21 Jackson's no creator of a prison according to the poet (5, 5)
23 Runner emerges from a broken chariot (7)
24 A useful art taken from the cnin etc. (7)
25 "Beauty lives though — die" (Flecker) (6)
26 Lost like a salver (6)

DOWN

1 Father to Caesar (5)
2 Musically connected with the underworld (7)
3 Where woman is banned? (4, 2, 3)
5 It will shortly appear as fabric (5)
6 Eggs break into pieces to applause (7)
7 Sponsor but not of commercials (9)
10 Flower people after transport (9)
13 Dance for the V.I.P.'s? Uncle wants a couple more (5, 4)
15 Exceedingly valuable, but absurd (9)
17 Four or six in the test—it's unimportant (7)
19 He has a change of heart about the girl (7)
21 Add fuel at the foot of the Pennines (5)
22 The people make a song about it (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Kent Opera at Eastbourne

by MAX LOPPERT

The best of Kent Opera productions have a dominant quality in common: a directness of style based equally on musical and on dramatic scrupulousness. Two such productions, *Rigoletto* and *The Return of Ulysses* (both given in English) form the major part of the repertory (completed by *The Seraglio*) being taken around the south of England on the company's autumn tour. (This began last week at the Congress Theatre, Eastbourne; its subsequent stopovers include Paignton, Southsea, Bath, Reading and Canterbury.)

Rigoletto, produced by Jonathan Miller, and revived for the first time since 1975, is a notable example of the Kent Opera style at its most admirable. The producer has updated the time of the opera from the 16th century to 1851—the year in which it was first performed. The disadvantages attendant upon time-shifts of this kind have been well aired, and often instanced; yet because of the shining intelligence and tact with which the transformation has been achieved, the obvious gaps in logic are few, while the dramatic pressures in Piave's libretto have been strongly reinforced by the pseudo-Victorian ethos.

From the opening, it soon becomes clear that the essentials of Verdi's opera have been respected—indeed, they lay the foundation of the production. The characters have been created out of the music, rather than remodelled against the grain of it, in support of some directorial thesis. There is menace in the opening scene, its courtiers in evening dress gathered into sinister groups against Bernard Culshaw's spare scenery; a chill is sent through the house by the first appearance of Sparafucile, a Jack-the-Ripper figure in top hat and turned-up collar. These are only two of the gains of the production, moments of truth and dramatic sharpness usually hard to win in the usual picture-book settings. But it is the dramatic nerve-centre of the opera, its trio of central relationships, that most concerns the producer, and he has laid it bare with an almost painful simplicity.

Jonathan Summers and Meryl Drower in 'Rigoletto'

Roger Norrington's return to the score as Verdi wrote it is no less of a revelation: every note is there in its original form, without the *Schlamperei* of traditional theatre cuts or additions of decorative high notes to the vocal lines. This approach is not only apt to the drama as it is here played; it is a triumphant demonstration of that tightness of musico-dramatic thinking in the score which Julian Budden has called a "density of invention so organised as to cheat the clock."

As conductor, Mr. Norrington was inclined to rush parts of Friday's performance, and he did not often bring to the accompaniments the breathed quality, the easy unfolding of the singing line, which one recognises as "vocal" conducting. One was made uncommonly conscious of careful orchestral articulation and balance, of internal details that usually escape the ear or else are smoothed over by less meticulous batons—the absence of a pit, allied to the unwinning acoustics of the Congress Theatre, no doubt heightened orchestral detail. At its best, for most of Act 3 and all of Act 4, Mr. Norrington's conducting evoked a dramatic intensity and directness that were essential to the effect of the performance as a whole.

Jonathan Summers' account of the title role is perhaps less of a surprise now than it was in 1975, when the young Australian baritone was first making his mark on the British operatic scene; but it has surely lost nothing in animal intensity and has gained much in the singer's increased discipline over his splendid vocal resources. Few young singers so naturally command the large scale of operatic acting; Mr. Miller has eloquently tamed it to the style of his production and the result is at times unbearably moving—this dust-covered eccentric with the stained waistcoat is given to memorable and terrifying rages of despair. Meryl Drower, a tiny Gilda with a waif-like sweetness of manner, sister to all the down-trodden daughters in Dickens, and with a very individual, slightly plaintive vocal timbre and David Hilman at his most charming and vocally secure as the Duke complete a trio of principals whose playing-together could hardly be matched for pointfulness and unshowy precision.

Watching and hearing the Kent Opera *Ritorno d Ulisse* after the Ponnelle-Harnocourt Monteverdi carnival at the Edinburgh Festival this year is like being scraped clean. Not everything is right. There are weak voices in the cast (notably among the Gods: Juno is a screecher). There are quirks in Norman Platt's production, and a profusion of tasteless colours in Digby Howard's costumes (it was a particularly unhappy idea to dress Neptune up as a marine Carmen Miranda). Yet the strength of characterisation conveyed in a whole host of warmly rounded portrayals — notably Anne Pashley's bright-eyed Minerva, Wynford Evans' gentle Eumaeus, Enid Hartle as a dignified Nurse — shows that the production has understood and got right what is most important and most wonderful about the opera.

Roger Norrington draws, from his small ensemble of "authentic" instruments, a superbly passionate and pure style of playing: operatically full-blooded (and the conductor occasionally lends his own singing voice to the proceedings), yet always — as it should be — dictated by the movement of the vocal lines. And, to crown the riches of an evening filled with beauty, colour, and gentle human warmth, there is an infinitely touching Penelope in Sarah Walker, whose noble bearing, unfailingly vivid diction, and grave vocal colouring lend the whole performance a special distinction.

Adelphi

Beyond the Rainbow

by B. A. YOUNG

First a Jewish musical, then a Catholic musical. *Beyond the Rainbow* comes from Italy, and is full of Catholic jokes, sly digs at God, harmless blasphemies, mockery of the Cardinals. There is a village girl in love with the priest. The mayor is an atheist. The formula is well-tried, and succeeds here as well as anywhere.

If I complain that it is all too naive, I am putting my own preference before that of the array of managements who have clubbed together to put it on. It is meant to be naive. The story, adapted from an English novel, tells of a visitation from the Almighty, who calls up Father Sylvestro on the phone and tells him that as there will be another flood next Friday, he must build an ark and arrange to have all the villagers ready to sail.

I need hardly go further, except to say that everything ends happily; though not so happily as it looks at one time as if it might, when God (whose voice we are allowed to hear) says indignantly that the doctrine of clerical celibacy is directly contrary to his teaching, and if the Father wants to make love to little Clementina, he should do so at once.

Father Sylvestro is played by Johnny Dorelli, an Italian pop singer who made a hit with a song called "Volare." He is a pleasant actor, and sings like Perry Como. He kept in check the impatience that might have afflicted me with a less likeable performance in the part. Roy Kinnear is the atheist mayor: if you have liked him in other parts you will like him in this, which has little to offer. Clementina, his daughter, is played by the pretty and tuneful Lesley Duff. There is a sub-plot for Toto, a boy believed to be impotent until the arrival of Consolation, a girl that cain't say no. Geoffrey Burridge hardly fills out Toto, and Janet Mahoney plays Consolation strictly according to formula.

The songs by Armando Trovaioli have the kind of music that sends you out humming the tunes from *Oklahoma!* and lyrics by Leslie Bricusse which are abysmal. Gino Landi's choreography has more movement than grace, but is lively enough. The star of the evening is Giulio Coltellacci, whose sets of unstained whitewood glide around on a double concentric revolve, to come to rest as a church or a rectory or even an ark.

The director is Pietro Garinei, who with Sandro Giovannini and writer Iaia Fiastri are the creators of the show.

Lesley Duff and Johnny Dorelli

Criterion

Gloo Joo

by MICHAEL COVENEY

Michael Hastings' very funny comedy, first seen at Hampstead, is now happily ensconced at the Criterion. Oscar James is much improved as Meadowlark Warner, the black resident of Brixton who suddenly finds himself unloved by a pair of immigration officers. The play is propelled by Meadowlark's wit and inventiveness as he wriggles free from one tight corner after another by the exercise of sheer nerve.

Meadowlark has nothing to declared but a sackful of wooly-tops which he sells to football supporters at either end of the ground. This unaffiliated opportunism is an echo of his private life, where Irish Irene (Heather Tobias) will do for a wedding partner for as long as the threat of deportation hovers and until his real fiancee, Edna (Akosua Busia), flies in from Guyana.

There is much to enjoy in the mechanics of Mr. Hastings' construction. The officers themselves are, arguably, aliens of a sort—Radinski has Polish Jewish ancestors and his senior Raymond hails from the Isle of Dogs. Meadowlark accidently procures the services of a progressive rabbi for the marriage ceremony in the Gatwick immigration lounge, but inspirationally passes himself off as a member of the Temple of Nimrod and the Holy Black Redeemer. The officers are sworn in as witnesses, the woolly-tops pressed into service as skull-caps, the couple toasted in cheap South African sherry.

Michael Rudman's production is slick and fast-moving, very good at pointing up ironies of racism and prejudice while preserving the delightfully archetypal aspect of Meadowlark's free-wheeling disposition.

Dave Hill and Antony Brown are the officers. Mr. Brown's is a gem of a performance, stumbling into unsolicited handshakes and bureaucratic grey areas with unlucky and (to him) painful regularity.

Wigmore Hall

Bartók String Quartet

by NICHOLAS KENYON

The first bar of Beethoven's first published string quartet—but it might have been from one of his most mature works, so forcefully was it projected by the Bartók Quartet on Friday night. Every unison note perfectly tuned, phrased with identical purpose and sense of direction: the sound was such as to make one sit up and wonder how long it was since a real string quartet had been heard in the Wigmore Hall.

The rest of this utterly compelling performance confirmed the promise of that bar. There was not a touch of the skittishness with which some quartets invest early Beethoven: every note had weight and significance and the accumulated tension in the long, rhapsodic slow movement was almost unbearable. Neither was the playing merely gritty, though. One can hear Bartók's Fifth Quartet played with tolerable accuracy in a supposedly appropriate acerbic manner by a dozen or more quartets, but this group delivered the real thing—a powerfully rich and resonant account of the work which sacrificed nothing in tightness and coherence in search of a deeply expressive approach to even the work's most violent passages.

Between the fierce concentration of Beethoven and Bartók, the English lyricism of Vaughan Williams' *On Wenlock Edge* created a seemingly endless expanse of space for meditation. Housman reportedly disliked the optimism with which RVW transformed his world-weary verses; he might have been won round by Ian Partridge's yearning, unstrained singing of this original version (with string quartet and piano accompaniment). He rose purely and clearly above the instrumentalists in "Bredon Hill": the beautiful play between quiet string and piano chords made one wonder why the orchestral version is so often preferred.

The Bartók Quartet will return to the Wigmore Hall for Beethoven Op 95 and Bartók No. 3 on Sunday November 26 and will be joined by Peter Frankl and Keith Marjoram in Schubert's "Trout" Qn.

Sadler's Wells

Semele

by RONALD CRICHTON

Handel's *Semele*, with words by Congreve, is a glorious piece—witty, dynamic, full-blooded. Since the rediscovery for today's public of these musical and dramatic riches was largely due to earlier revivals by Handel Opera, one should I suppose be charitable about the present effort, the second production (seen on Friday) of the current season at Sadler's Wells. In spite of continual financial stringency the Society manages to cast a net fairly wide into operatic waters to catch producers, designers and singers. One must forgive an occasional stumble. All the same, the offence of this one, in which a masterpiece is botched not by too radical or original an approach but an inept, superficial and insensitive one, must not be smoothed over.

This *Semele* in fact is a revival of a production by Leif Söderström first seen (though not by me) a few seasons ago. Good things first. Teresa Cahill sings the title-role. Her Semele is warm-eyed, dimpled and caramel-voiced—a girl for whom the whole of existence (carried into eternity if possible) is a box of chocolates and a downy bed. Sometimes Miss Cahill smudges Handel's line but by and large her singing charmingly expresses the sensual side of human nature which Handel understood so well.

Jupiter is Anthony Rolfe Johnson, who deserved the cheers he drew for "Where'er you walk," and also deserves to have been given more effective entrances and consuming climax. Sally Presant, doubling Semele's sister Ino with Juno succeeded with the former, but the vengeful goddess is as yet beyond her. Tom McDonnell as Cadmus and John York Skinner as Athamas help to give the Theban scenes some credibility.

Leonard Burt

Teresa Cahill

They need it, with human statues of Jove and Juno wobbling on their plinths and the chorus garbed school-play classical. Things are worse outside Thebes and up in the Heavens. Here 18th century pastoral is prinked out in pinks and blues. There are smirking cupids with boudoir bows, one to dance and one to sing, both detestable. The costumes by Alison Stewart Richardson rely heavily on masks, apparently derived from post-war Cocteau films. Congreve's salty lines are so feebly delivered that when they are audible they draw titters. All the raciness goes. Michael Rippon's Somnus, not helped by surrounding figures bobbing up and down under sheets, swallows his words and spoils the comic duet with Juno, "Obey my will." Of the dances, the less said the better.

Charles Farncombe conducts. The Overture (a fine one) promised well. The Handel Opera Chamber Orchestra nipped brightly through the quicker numbers but in moderate or slow speeds Mr. Farncombe's beat went flaccid—unhelpful to the heroine. Miss Cahill's rhythm not being her strongest point. The chorus was happiest in the big finales to Acts 2 and 3, two places where one is reminded that *Semele* was not originally given in dramatic form — the choruses were additions to Congreve's libretto. What can be done to rescue a jewel of a work? Glyndebourne, where there are British producers who would understand the style, is one obvious answer. Or, since Covent Garden and the Coliseum are too large, the regional companies, who play in medium-sized theatre. Somehow *Semele* must be firmly and comfortably placed in the repertory.

Wigmore Hall

Messiaen celebration

by RONALD CRICHTON

In a few days' time all France will begin to throb with celebrations for the 70th birthday of Olivier Messiaen. For once, in a modest but not ineffective way, we seem to have got in first. On Thursday at the Wigmore Hall John Woolf, using expert but numerically minimal forces, presented a programme of two of Messiaen's major works, the song-cycle *Harawi* and the *Visions de l'Amen* for two pianos. The artists were the soprano Noelle Barker, Robert Sherlaw Johnson and Thomas Rajna. The hall ought to have been fuller, but the audience included a significant number of composers.

Miss Barker and Mr. Sherlaw Johnson know *Harawi* thoroughly. One could think of singers more powerful, of pianists more crystalline, who might give certain aspects of the cycle greater brilliance. They would be unlikely to make the total impression so strong, true and satisfying, in a way that still comes too rarely in performances of contemporary music. The voice part of *Harawi* really needs a "falcon," a dramatic soprano with an extended range. The original interpreter, Marcelle Bunlet, was a Wagnerian and also a Valentine (in *Les Huguenots*), one of the original falcon roles. Miss Barker's voice remains bright and fresh at the top. The lower register is not strong but is attractively coloured. Her French vowels are effortless, but the spoken or semi-spoken incantatory words need sharper consonants—Messiaen's piano writing takes some piercing.

A good performance of *Harawi* is a concert in itself. To have the *Visions* as well was almost too much, yet special occasions of this quality are infrequent enough to make one sit back and be grateful. Thomas Rajna and Mr. Sherlaw Johnson poured out lashings of generous, well-differentiated piano tone. One thing that emerged from both works was Messiaen ability, over and above the immense complexity of the components of his style—of which exotic rhythms and bird song are two obvious facets—to achieve a final simplicity of thought and form arguing uncommon daring as well as unshakeable faith.

Festival Hall

CBSO/Downes

by ARTHUR JACOBS

London does not yet have a Mahler symphony a day, but can such congestion be far off? Between the performances of No. 5 on Thursday and No. 7 yesterday afternoon, both from the Philharmonia Orchestra under Lorin Maazel, the City of Birmingham Symphony Orchestra under Edward Downes, stepped in neatly on Friday with No. 6 in A minor. Mr. Downes being himself Birmingham-born, there must be speculation on whether a native son will shortly succeed to the musical directorship suddenly vacated by Louis Frémaux.

Mr. Maazel apparently considers that one of Mahler's longer symphonies suffices for a concert. Mr. Downes and the Birmingham management have older notions of generosity to audiences and prefaced the symphony by Wagner's *Fire Songs to Poems by Mathilde Wesendonk*, with Helga Dernesch as soloist. Unfortunately, for all her Wagnerian operatic experience, she had evident difficulty on high notes and gave an insufficiently varied delivery of the words even on lower notes. Short-breathed, she sometimes failed to grant Wagner's phrases a sufficient span.

Mr. Downes tackled Mahler's 75-minute symphony without swoons or sentimentality. Nor did he seek a smooth sensuality of tone which, probably, this orchestra could not give. After London orchestras, its strings sound a little rough. But the melodies were well shaped, the impulse well co-ordinated, the energy unflagging to the end — when the solemn quartet of trombones made a notable contribution.

As always in this symphony, an added visual effect was given by the wielding of a huge hammer (Mahler stipulates a heavy but non-metallic sound) at climaxes of the finale. More persistent in the score, however, and more distressingly obtrusive, are the sheep bells. I keep hoping that some Siegfried of a conductor will arise with the courage to eliminate this non-musical jingle-jangle, but Mr. Downes is evidently not the man.

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The tide of competition

OVER the past year there has been a spectacular move from regulation to competition in the U.S. airline industry. For the first time in their history airlines are being encouraged to decide for themselves which routes they want to fly and what prices they want to charge. This new situation, stemming largely from the efforts of Mr. Alfred Kahn, former chairman of the Civil Aeronautics Board, brings profit opportunities, but also severe competitive pressures; the companies are forced to examine every possible means (including mergers) of making themselves more efficient.

Uncertainty

The wind of change from the U.S. is already affecting the international airline business. Even without Mr. Kahn's influence, the pressure for lower fares has led to a number of important changes, particularly on the North Atlantic route. Extensive reforms have been proposed in the rules of the International Air Transport Association. But there is still disagreement and uncertainty among airlines and governments as to how far and how fast the process of de-regulation should go. This is the central issue for discussion at the IATA annual meeting which opens in Geneva today.

In his annual report the director-general of IATA, Mr. Knut Hammarskjold, warns of the danger of confrontation, as the Americans seek to impose their free trade convictions and even their anti-trust laws on the rest of the world. The Americans, he points out, are calling for increased competition, multiple designation of carriers, liberalisation of charter operations, no capacity constraints and "market-place pricing" with minimum government involvement. One of the by-products might be the final elimination of the "much blurred distinction" between scheduled and charter services.

Earlier this year the CAB issued a tentative order which, if made final, would remove the anti-trust exemption now enjoyed by the IATA traffic conferences. Once the anti-trust laws are brought into play, Mr. Hammarskjold suggests, they could be deemed unilaterally by U.S. courts to extend to any co-operative actions of airlines, even if not directly affecting traffic to and from the U.S. In the meantime the Americans are seeking to promote their competition policies through bilateral negotiations with other countries, moving away from what Mr. Hammarskjold describes as the long-established concept of multi-lateral negotiation of fares and rates by carriers for subsequent government approval.

Now it is quite clear that a regulatory framework appropriate for the U.S. market, based on free competition between private-enterprise carriers, cannot suddenly and unilaterally be imposed on the rest of the world: many foreign airlines are owned by governments and regarded more as instruments of government policy than as profit-making businesses. A Kahn-like regime in Western Europe, for example, would require changes in the structure and behaviour of the European airline industry which some governments would be most reluctant to accept. Small state-owned airlines in the Third World are even less likely to be attracted by the American approach.

Yet in the long run the forces of competition seem certain to gain ground. The recent U.S agreement with Germany, providing for considerable liberalisation on pricing, capacity and charter flights, rules out any possibility of a common European stand against the Americans. The decisions by Delta one of the largest U.S. airlines, to withdraw from IATA suggests that the reforms due to take place in the association next year may not be enough to hold the membership together. Most important of all, there is a strong consumer demand, which governments cannot ignore, for lower fares.

Co-ordination

The interests of consumers will not be served if governments try to protect inefficient national airlines from the tide of competition. Equally, however, a crude U.S. attempt to export its anti-trust laws is unlikely to be helpful. The American objective of greater competition is certainly right, but in the international market some inter-governmental and even inter-company co-ordination is unavoidable. What is needed, despite philosophical differences and commercial rivalries, is for the U.S. and other governments, at least in the industrial countries, to agree now on what form the co-ordination should take.

Mr. Dell will be missed

IT IS A wholly excellent practice—more honoured in other countries than in Britain—that people should move from industry and commerce into politics, and vice-versa. In that sense, the resignation of Mr. Edmund Dell as Secretary of State for Trade in order to take up a senior post at Guinness Peat is not entirely to be regretted. Mr. Dell should have a good deal to offer to a group that has fair prospects of expansion, and there is no reason to think that he will necessarily go out of public life altogether. It is also true that he is demonstrating that the movement can be a two-way process. Mr. Dell has been a Member of Parliament only since 1964; before that he worked for ICI. It is a not inconsiderable achievement to have risen towards the top of the Cabinet within such a short period, and still to be able to look forward to a major career elsewhere.

It is the exceptional nature of the case, however, that raises anxiety. The movement the other way round—from industry or commerce into politics—is not great, and it is even more unusual in the Labour Movement than it is in the Conservative Party. It seems unlikely therefore that Mr. Dell's loss will be compensated by someone moving into politics from the outside for the first time. There may be a two-way street, but the traffic is very uneven.

Experience

Mr. Dell also occupied a special position in the Labour Party, and in the Cabinet. It was not just that he is an intellectual and a moderate—Labour is not especially weak in either of those suits. It was rather that he had experience of business and the City, as well as international trade, in a way that is not common in the Labour Party as a whole. Such qualities are needed in any Cabinet, and they will not be easily replaced. Yet what he evidently thought he lacked was any basis of grass roots support: there was not a single group in the Labour movement, in the Parliamentary party or in the Cabinet which naturally looked to him as its spokesman. He thus rose as far as he did entirely on merit and because a Labour Government needed someone of his particular abilities. The fact that he seems to have been so little appreciated reflects badly on the party, and also on a Prime Minister who appears not to have tried very hard to persuade him to stay on.

None of this is to cast doubts on the competence of Mr. John Smith, who now takes the Trade post. It was clear from his conduct of the Devolution Bills that Mr. Smith was Cabinet material, and his promotion reinforces the impression that a new generation of moderates is emerging at the top of the Party. No Cabinet that contains Dr. David Owen, Mr. Roy Hattersley, Mr. William Rodgers, Mrs. Shirley Williams and now Mr. Smith can be dismissed as being irresponsibly doctrinaire or entirely without ability. They represent the makings of a reasonably strong team for the future.

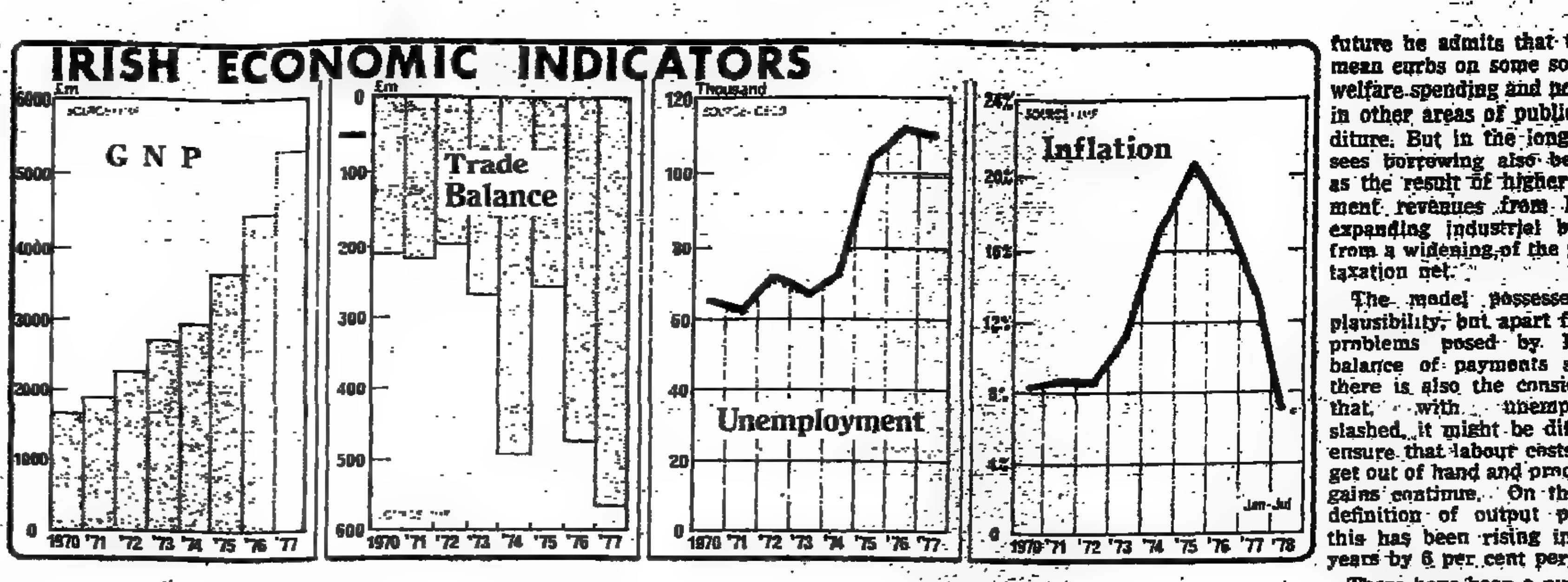
Interchange

It remains, however, that there is no one directly to replace Mr. Dell, and until there is greater interchange between industry and politics this kind of gap will remain. There is no reason to believe that he resigned for financial reasons or that he had become more than usually disillusioned with the political system. Yet for those who may be contemplating a move to Westminster these could still be formidable deterrents. MPs and Ministers are too badly paid to make the move attractive, even allowing for the fact that there probably should be some sacrifice. Too much of Ministers' time is taken up heading off extremists from their own party. If Mr. Dell was depressed by some of the wilder antics of the Labour Left wing, who can blame him for feeling that he might be more effective elsewhere?

Why the 'supersnake' has Ireland in its spell

BY STEWART DALBY, IN DUBLIN

IRISH ECONOMIC INDICATORS



WHEN IN DUBLIN, it is easy to appreciate the outward appeal that the proposed European monetary system (EMS) holds for Ireland. Irish chauvinism towards Britain goes back centuries and runs as deep as the North Sea oil wells.

For many years, Irish nationalists have been looking for a way of breaking the monetary union that links the Irish pound and sterling, and the creation of the EMS would appear to present an ideal opportunity—particularly if Ireland joins and the UK does not. But despite Ireland's determination to go ahead, regardless of Britain's decision, the Dublin Government is still hoping that both countries will join together.

In strictly economic terms, the Irish Government is fully aware of the dangers if the two currencies' exchange rates are allowed to diverge. Ireland still does nearly 50 per cent of its trade with the UK, and on Thursday night in London, Mr. George Colley, the Finance Minister, told Mr. Denis Healey, the Chancellor of the Exchequer that he would prefer the rates to remain fixed. Both countries realise that exchange controls would have to be introduced, quite apart from the trade consequences, if the two currencies are to be detached from each other. Mr. Colley points out that one result would be to make Irish pound notes unusable in Northern Ireland and the rest of the UK and vice versa.

The general opinion in Ireland, although Mr. Colley will not admit he shares the view, is that the Irish pound would, at least initially, appreciate against sterling if Ireland joined the system and Britain stayed out. The Irish are concerned at the harmful effects this would have both on their tourist and their trade balance with the U.K. This year UK exports to Ireland, at £1.13bn, are running £259m ahead of Irish exports to Britain.

But whatever the nature of Irish sentiment towards cutting Ireland's pound free from Britain's, Irish membership of the system would not mean that Dublin would at last gain control of its own monetary policy. Rather, it would be switching from one system which Ireland feels has outlived its usefulness to one in which the opportunities for growth are perceived as being better.

In other words, Ireland wants to hitch its wagon to what it considers to be the strongest engine—the economies of mainland Europe—and decrease its dependence on the economy of Britain.

The added attraction of the EMS to Ireland is that it would be a further step along the path towards integration with Europe—a path which has already brought Ireland great rewards in the higher prices it gets for its agricultural goods and in opportunities for trade.

But for such an open economy as Ireland's, joining the EMS has its dangers. Ireland's balance of payments is extremely vulnerable. The EMS would involve more rigorous control of individual economies, and should Ireland's exports falter or, more likely, its imports get out of hand, it could be difficult to maintain the chosen parity of its currency and a programme of deflation might become inevitable.

Ireland now has the fastest growing economy in Western Europe as fundamental changes of the past decade start to take effect. In real terms it should grow by 6.5 per cent this year, having grown on average by 3.9 per cent in the decade 1967-77. The increase this year is nearly double that of the forecast EEC average and more than twice that projected in Dublin for the UK.

Manufacturing output this year is expected by the Ministry of Economic Planning and Development to rise by between 10 and 11 per cent; new investment in manufacturing industry by 20 per cent, and real incomes by at least 3 per cent. Total exports, in value terms, should increase by at least 20 per cent.

While tourism remains an important industry, Ireland's new-found prosperity can in large measure be traced to its membership of the Common Market. Over 80 per cent of Ireland's agricultural output—which itself accounts for nearly half of total exports—comprises beef and dairy products, for which prices under the Common Agricultural Policy, with its reliable outlets, are good. Farm incomes have grown handsomely—last year by 34 per cent. This year, Dublin's Agricultural Institute predicts a 17 per cent increase.

Much of this higher income has been ploughed back into the land: in the form of greater mechanisation and increased use of fertilisers. Agricultural productivity on the broad definition of output per man increased by as much as 12 per cent in some areas of east Ireland last year.

Even before Ireland joined the EEC in 1973, however, the process of encouraging export-led industrialisation had begun. Ireland's Industrial Development Agency is empowered to offer grants of up to 60 per cent of the capital cost of projects in the west of the country (45 per cent in the east), plus training grants and loans. In harness with the Export Board, another state agency, the IDA was instrumental in securing faster growth of manufactured exports in the late 1960s.

But again, it has been membership of the EEC which has given manufactured exports a real boost, because it has meant an influx of large foreign companies initially attracted by both the ready availability and the relative cheapness of Ireland's labour force. In the past few years, labour costs have risen to the point where they are now drawing level with the UK, but Ireland's record on stoppages and man days lost is historically better and has only recently shown some signs of deterioration.

Advantages to investors

One advantage that it has been able to offer to overseas investors, however—the absence of taxes on exports from Ireland—is actually prejudiced by Ireland's membership of the EEC. Ireland has undertaken to end the exports tax holiday by 1990 in deference to the Brussels view that it runs counter to the spirit of the Treaty of Rome. But Dublin Ministers feel they can compensate for its loss by other means, one possibility being the abolition of corporation tax, currently imposed at the same rate as in the UK.

Overall, exports have increased nearly tenfold since 1968. Over half are now manufactured goods and 47 per cent of total exports now go to the UK, compared with 65 per cent 10 years ago. Other Common Market countries take the lion's share of the remainder.

But if Ireland is currently growing rapidly, the big question is how to keep the process going. The answer of the Fianna Fail Government has been to boost spending under a plan drawn up by Dr. Martin O'Donoghue, the Minister of Economic Planning and Development.

To date the government has scrapped road tax on vehicles under 2000 cc. It has abolished domestic rates and it has raised tax allowances for both married couples and single people. The measures have added something like £100m to the Government deficit.

It has also kept up public spending, as well as holding only the loosest of reins on credit and money supply, although its control over both is limited because of the nature of its financial links with Britain.

Dr. O'Donoghue said recently that credit could expand by 20 per cent in 1978 while remaining consistent with inflation and growth targets. One large bank's research unit has produced figures which suggest that credit for personal loans had increased by 46 per cent so far in the current year—a trend which prompted the central bank a month ago to ask the commercial banks to start applying the brakes.

The lack of control on credit has seen imports soar, and this impinges more than a little on the problem of Ireland's vulnerable balance of payments situation and whether it could maintain the chosen parity of its currency within the EMS. The country always runs a trade deficit, which to date has usually been covered by capital inflows. Though a trade deficit of £400m is projected for this year, it will easily be covered by capital inflows, and reserves are now up to nearly £1.1bn. But a similar situation cannot be guaranteed for the future.

The government has asked for £650m in extra aid from the EEC as its price for joining the EMS. But should this not be enough and the pound sag, making deflation necessary, what price then its ambitious growth plans?

So far, the rationale behind government policy has been not just keeping the growth rate up; rather it is to cure what is currently perceived to be Ireland's number one problem: the high level of unemployment. Officially, unemployment stands at just over 9 per cent of the 1.1m work force. But since this figure excludes school-leavers, married women and some farmers, it certainly understates the number of jobless. Some economists put the true figure at nearer 13 per cent.

In Green and White Papers setting out his policies, Dr. O'Donoghue has said that he wants nil unemployment by the mid-1980s.

However, there are still 4,000 workers a year coming on to the job market from agriculture. And one can double this figure when account is taken of those moving out of the declining industries like textiles. If married women and school leavers are added in, then to fulfil his pledge it will be necessary to find 20,000 new jobs a year until 1983.

Half of these should not be a problem, since the IDA this year expects to create some 13,000 new jobs in industry and could do even better in the next couple of years. Another 10,000 jobs a year, or perhaps slightly less are due to be provided by expansion of services like the police and from other domestic job creation schemes.

But the cost is high. Ireland this year has a public sector borrowing requirement of 13 per cent of GNP, compared with less than half that in the case of, for example, the UK. Although it has been higher—it was 18 per cent four years ago — it is still at a level which many Finance Ministers in Europe would regard as extremely profligate.

Dr. O'Donoghue has promised to bring it down to 10 per cent next year and 8½ per cent the year after. In the immediate future he admits that this will mean curbs on some social and welfare spending and no growth in other areas of public expenditure. But in the long run he sees borrowing also being cut as the result of higher government revenues from Ireland's expanding industrial base and from a widening of the personal taxation net.

The model possesses some plausibility, but apart from the problems posed by Ireland's balance of payments situation there is also the consideration that, with unemployment slashed, it might be difficult to ensure that labour costs do not get out of hand and productivity gains continue. On the broad definition of output per man this has been rising in recent years by 6 per cent per year.

There have been a number of successful national wage agreements covering some 70 per cent of the workforce. The last one provided an overall package of 10 per cent, which was slightly below the rate of inflation. This year's agreement is in the process of being negotiated. Although the negotiations are taking place against a background of numerous strikes, the Government is hoping that, with inflation having fallen sharply so far this year to 7 per cent, a 5 per cent pay increase norm can be arrived at.

Even ten years ago, the first-time visitor to Ireland could easily imagine he was going back in time by 50 or 60 years.

Today Ireland is bustling and prosperous. Large chunks of Dublin have been ripped out for office block development. The streets are congested with cars. Department stores are full of Japanese stereos and trendy London furniture. The city centre has pizza houses, hamburger joints and neon signs galore.

The change is even more marked in the country. The number of new bungalows, replacing the more aesthetically pleasing thatched cottages, is astonishing to anyone making a return trip after a decade. The new houses, moreover, always appear to have a new Mercedes or at least a Fiat or Toyota in their garages and a new tractor in the drive.

The new prosperity has its attendant problems: land and house prices have shot up in the past few years, and prime agricultural land now fetches up to £3,000 an acre—more than in the U.K. House prices along the eastern seaboard have increased by nearly 50 per cent during the past 18 months.

But, at least for the moment, they are problems with which the Irish are prepared to live. For the fact remains, that, thanks in large part to its membership of the EEC, Ireland now possesses something which has eluded it for centuries: a fair degree of prosperity, and at least a reasonable prospect of more to come.

MEN AND MATTERS

Trading for a future

There could hardly be a greater contrast between the styles of the two Secretaries of Trade. Edmund Dell is quiet, keeps himself to himself and a Londoner who lives in Hampstead Garden Surburb; he was a history don at Oxford before moving to ICI. His successor is ebullient, slightly roly-poly and a Scottish advocate who has been based in Edinburgh.

At 40, John Smith becomes the youngest member of the Cabinet—another for the Club of Great White Hopes who have their eyes on Number 10.

He was at a grammar school in Dunoon down the Clyde but, anchored firmly in the mainstream of Labour politics, is far removed from the Red Clyde of the 1920s. He is ambitious and middle-of-the-road, which perhaps contributes to the way that even Tories north of the border concede that he is one of the more able figures recently produced by the Labour Party in Scotland.

At university in Glasgow he won the Observer's mace in that paper's student debating competition—as did Donald Dewar who held Garscadden for Labour this April.

Westminster attracted Smith young. He fought East Fife twice without success, was lucky not to be nominated at Hamilton in 1967 when Winnie Ewing swept the Scot Nats on to the front pages, and reached Westminster via North Lanark in 1970. He was quickly picked out by Wilson. His ability to master a subject impressed civil servants at the Department of Energy where he served as a junior minister for two years. But he made his reputation with the devolution Bills.

Foot had little stomach for his minutiae of the Bills' progress. The tenacity with which Smith, his deputy, picked up the shambles of the first ill-fated Bill and saw its successors through endless all-night sittings probably owed as much to his linking the issue with his own political future as to his devotion to constitutional change. In fact he had been grooming himself to enter the Cabinet as Secretary for Energy, but the Prime Minister was not willing to confront Anthony Wedgwood-Benn.

Dell's progress to Cabinet a decade earlier had been rather more sedate. He first made his name on the backbenches as one of a trio comprising Joel Barnett and Robert Sheldon, both now at the Treasury.

But despite his string of jobs politics never seemed to grasp him as it did others from the class of '64. To many he seemed less suited to Westminster than to Whitehall.

After the Labour defeat of 1970 Dell was somewhat surprised that no company approached him. He had, after all, senior management experience at ICI and ministerial experience—just the sort of background that business mops up among Tory politicians. Guinness Peat came to the rescue before the 1974 elections. Now the man who was once Boys' Chess Champion of London has decided to check his political career completely.

The 1000th wife

Egypt and Israel have, it seems, already concluded one peace agreement. But if there were no Nobel Prizes at the time the pact was reached in 970 BC there were also some results of the agreement which are unlikely to be seen today.

The agreement was between King Solomon and the Egyptian Pharaoh Siamun of the 21st Dynasty. It was signed after the Egyptians had recovered some of the land conquered by Solomon's father, David.

In a move which conjures up all sorts of intriguing potential modern parallels, Solomon sealed the agreement by taking a daughter of Pharaoh as one of his 1,000 wives. However, the Israeli Deputy Prime Minister, Yigael Yadin, has recently assured a conference of Biblical scholars: "There is no secret provision in the Camp David accords which calls for parallel action by the Prime Minister."

But sadly even such precautions by the signatories of 3,000 years ago make it an uninspiring precedent for Begin and Sadat. No further records exist of the Pharaoh's daughter, indicating that she was never an important wife. Nor is there any record of contact or commerce between the two countries before the 21st Dynasty collapsed and its successors first fomented unrest in Solomon's empire and then invaded.

In the doldrums

Captain Michael Willoughby is still lacking a fair wind for his plans for Britain to lead a new era of commercial sailing ships. His hopes of obtaining backing for a £6m plan to build a prototype have just been scuttled by the Department of Industry's Ship and Marine Technology Requirements Board. He had designed a five-masted, square-rigged barque with the same cargo capacity as the popular 15,000 deadweight ton SD 14 motor ship. But the committee told Windrose Ships, for whom Willoughby designed the ship, that it would not be commercially viable.

Willoughby himself is certain that the ship makes sense. He says that on the UK-Melbourne run its voyage costs would be up to 25 per cent lower than those of a comparable motor-ship. He admits it would take around 12 per cent longer to arrive but argues that it would stir the hearts of all concerned with glorious 23-knot sprints. It would also, he says, put an end to the alarming growth in the turnover of seamen and officers who are being driven back to land more by boredom than by the unsocial hours of life at sea.

One of Windrose's directors comments: "Put a man straight on a big tanker and he is 80 feet above the water and, living in air-conditioned accommodation, doesn't even know the smell of the sea."

It is such points which make Willoughby confident he will eventually find a backer for his steel-hulled, synthetic-sailed dream. Apparently 26 countries now have large sailing vessels because these better teach the basic arts of seamanship.

Seafaring Britain is not among these and Willoughby hopes that Industry Secretary Eric Varley might choose to ignore his committee's advice. If not then the former master of a 490-ton square rigger says that there is interest abroad, not least from that erstwhile "saviour" of British shipbuilding, Poland.

Post dictum

From "Hoover's FBI" by William J. Turner: "The Director (Edgar J. Hoover) is fond of jotting pungent notations on the borders of memorandums . . . Once he was irked by a memo that left little room for his scrawlings. "Watch the borders," he wrote in his characteristic green ink. Uncertain of what he meant and afraid to ask, officials carried out the dictum to the letter. For over a week agents were staked out along the Canadian and Mexican borders, unsure what they were watching for."

Musical ride

A reader tells me that when, with violin case under his arm, he asked a taxi to take him to the Albert Hall the driver said: "How would you like it? Largo or molto allegro?"

Observer

FINANCIAL TIMES SURVEY

Monday November 13 1978

Turkey

Despite a continuing economic crisis and a surge in political violence, most Turks retain a strong faith in the republic's future. A stable Turkey, as the eastern arm of NATO, is also an essential factor in world affairs.

Optimism despite many problems

By David Tonge

SOCIAL PEACE, a change of order, and a country respected in the community of nations—these were the elements of the "bright liberal future" held out last year by Mr. Bulent Ecevit in the election campaign. But since he came to power at the New Year much of this vision has receded over the horizon. The death toll in political violence has doubled: over 600 people have been killed since January. The "change of order"—loosely-defined social reforms—has had to be deferred as the Western financial community has obliged the country to take a series of bitter measures.

Abroad, it is still perhaps early for the Government's initiatives to have yielded but limited returns. A sense of movement has at last been re-imparted to Turkish foreign policy but, with the important exception of some improvement in military relations with the U.S., few of the birds have yet come home to roost.

As the snows sweep in over the vast Anatolian landmass the prospect is thus a bleak one. Unemployment is more than 20 per cent. Prices are rising at an average of five per cent each month. Factories can only work at half capacity. There are shortages of fuels, raw materials and, of course, foreign exchange. It has reached the point where Turkey is even out of Turkish coffee. But despite all this, in the midst of their woes, the Turks retain a striking faith in their future. Growth, they are all convinced, will resume and, what is more, under a still democratic regime.

The country is now coming out of the trough, they suggest. Debt restructuring is proceeding. Business confidence is beginning to pick up at home and abroad. And they trust that 1979 will be far better.

"Turkey is a beehive of activity. The soil is alive. A movement which none can stop is in motion," says the opposition leader, Mr. Suleyman Demirel. Like other Turks he stresses the recent 7 per cent annual growth of the country and its huge resources — its agricultural potential, its mineral and fuel deposits and its population's tradition of hard work.

Coupled with such claims come the observations that the Turkish Republic is a mere 55 years old; that its inheritance from the Ottoman Empire was poverty and ignorance, and that its post-war development is being achieved under parliamentary rule.

Stimulus

There have been two slight spills on the way, with the military feeling obliged to step in both in 1960 and, more discreetly, in 1971. None the less, in a way rare among developing countries, it is through economic stimulus rather than political coercion that Turkey has started on the painful course of its industrial revolution.

The changes involved are huge. Since 1950 the population of the cities has swelled from 3.6m to 18m. This massive internal migration has over-strained the cities. The shacks around them now house over half their populations.

Just as there is a huge gap between the city centres and the slums, so there remains a divide between the developing west of the country and the deprived east. The average urban income is four times the average rural income—and the east lags far behind this average.

The continuing rise in population is an integral cause of the strain. The growth has averaged 2.4 per cent in recent years, meaning that around the turn of the century Turkey could have the largest population in the Western European community which it aspires to join. But family planning services lag far behind the call for them and the health services are starved of funds and personnel—even if more attention is now paid to this sector.

The persistent failure to implement such measures as the long-promised land reform means that the lot of the village dweller remains a sorry one. There are a few projects which aim to improve matters. But change in the traditions of centuries and in particular the filtering in of outside values has only served to speed the flight from the land. Emigration is no longer the safety valve, however unsatisfactory, that it was. Instead the migration to the cities has provided part of the social base for the political violence.

Ten years ago the deaths of two students in an anti-U.S. demonstration shocked the nation. Today the death toll averages two each day—and the shock is to the visitor who finds that many Turks live expecting they or their friends could be the next victim.

It is a massive problem and one whose solution is little helped by the political parties' failure to agree on the causes. While head of the Government, Mr. Demirel had as his coalition partner the Nationalist Action Party of retired Colonel Alparslan Turkes. Today despite the irrefutable evidence of NAP members' widespread involvement in murders, Mr. Demirel refuses to blame the anarchy on anybody except the "communists."

With the NAP having infiltrated itself in the state machinery and the ultra-left groupings long meeting violence with violence, the task for Mr. Ecevit has been a huge one. Ever since taking office he has argued that the mounting death toll reflected desperation and frustration by the militants. But he has made some progress in bringing the security services under control. The British and West German advisers to whom he has turned have reportedly been "amazed" at the state in the Turkish police.

If this sector has been dispiriting for Mr. Ecevit so too has the economic situation. In this case as well his legacy was a bitter one. Just as Mr. Demirel had failed to stave off the economic crisis of the late 1960s so he again allowed Turkey to spend itself into virtual bankruptcy in the years 1975-77. The cartoonists have depicted him as a reckless spendthrift but arguably it was weakness which underlay his policies, or rather the lack of them: his factious cabinet could never reach agreement so little was ever done. By the time Mr. Ecevit took over the only way left involved reaching an agreement with the International Monetary Fund.

The measures demanded by the IMF have been classical—insistence on belt-tightening, austerity and balancing the books. But they have led to bitter resentment, both from the Turkish people, which has seen the prices of its basic necessities doubled or even trebled, and from the Government.

Mr. Ecevit's followers say that he fears the IMF's insisting on the fulfilment of all its demands will lead to his having the same fate as Portugal's Mario Soares. Their leader has called on the Fund to give more consideration to the political and social conditions of countries without having ulterior political considerations itself.

Blockade

The belief that Turkey is being subjected to some form of economic blockade is in fact widespread. Just as the IMF is felt to be dragging its feet so are the Western banks, the EEC, and the OECD Aid-to-Turkey consortium. Less frequently heard are the harsher arguments. If Turkey had last year accepted the IMF's demands the situation might now have been brought under control, some bankers say. Others add that, however high the rates to be had from lending to Turkey, they do not want to do this merely to be faced with a fresh crisis in the early 1980s.

This feeling of persecution by the West arouses historic memories, of the capitulations imposed on the Ottomans, of the Allied occupation of Istanbul after the First World War, and of the way that the young republic had to labour for 31 years to pay off the Ottoman debt. For all the present interest in attracting foreign investment, foreign capital has always been treated with reservations.

Such disillusion coincides with the promotion of a new generation to head the civil service and armed forces—a generation which did not live through Stalin's territorial demands on Turkey, but which does recall the U.S. opposing Turkish military aid to the beleaguered Turkish Cypriots in 1964. With memories of the three-year Congressional arms embargo still fresh there is thus a strong tide of scepticism about the relationship Turkey has had with the West.

All this comes at a time when Turkey is developing its relations with Moscow.

But there is a tendency in the West to over-react to these developments. "Do we complain when Mr. Vance goes to Moscow?" Mr. Ecevit once replied when asked about his own plans. Neutralism is less on the cards than seeking to adjust to detente and to put some balance into relations with the West.

Philosophically, Mr. Ecevit is far more influenced by West than East. His followers dislike the term social democrat, feeling this has overtones of Marxism and call themselves "democratic leftists" instead. Mr Ecevit's party has now joined the Socialist International and he sets as one aim the strengthening of the economy so as to enable it to enter the EEC. He has allowed the reopening of U.S. bases in Turkey and is to negotiate a new defence agreement with the U.S. Such is hardly the stuff of neutralism — even if Mr. Ecevit is attempting to have his cake and eat it by seeking acceptance by the non-aligned world too. But this, arguably, is also out of the desire to win more international acceptance for Turkey's stand on Cyprus.

As the Prime Minister who dispatched Turkey's "Peace-keeping Force" to Cyprus, Mr. Ecevit — or so the West hoped — would be the man best able to withdraw it. In the event he was quick to ensure the tabling of the Turkish side's long-overdue proposals for a settlement. But the proposals were a harsh shock to those who had hoped they would mark a significant step towards positions acceptable to the Greek Cypriots. Equally, in the potentially explosive Agean he rapidly arranged a meeting with his Greek counterpart and has since encouraged a dialogue between the two countries. But he is also demanding that NATO should redefine the areas of military command responsibility in the Aegean. Turkey estimates that around 40 per cent of the area was put under Greek command in a mid-1960s adjustment. Now, or so the Turks say, Greece should only be allowed back into the integrated command of the Alliance once this problem has been solved.

His style is thus very different from that of his predecessors. Turkey's positions may be tough but they are clear.

It is a measure of the hopes that Mr. Ecevit had raised that so many Turks should be disappointed now. Mr. Ecevit himself can hardly be described as cheerful, though he believes that the groundwork done this year must eventually lead to results.

In this he appears to have the support of the armed forces who, having burnt their hands in the 1971-73 martial law period, are reluctant to be dragged on stage again. But he is attracting the inevitable criticism of the opposition.

On his left, the Turkish Workers Party, TIP, is disturbed at his recent arguments that even the slightest relationship with the left will reduce the chances of his Republican People's Party, wooing over the centre voter. The left believes that Mr. Ecevit has failed to make use of the support which he had from the numerous professional bodies and associations and which campaigned on his behalf believing him the only alternative to the fascist threat they perceived.

On the right, the fading forces of the strongly Islamic National Salvation Party are far less hostile to him than is his predecessor in office, Mr. Demirel. The latter is still smarting at the way Mr. Ecevit attracted a dozen of his deputies away last winter, giving them all ministerial portfolios. Now reconfirmed at the head of his party, Mr. Demirel is continuing his right-ward course. He has won a mandate from his party to leave parliament if necessary.

He also retains his readiness to co-operate with the Nationalist Action Party—despite the failure of previous coalitions, despite the NAP's demands for martial law and its members' frequent violence and despite the lack of faith among the larger businessmen that such a coalition can manage the country's bureaucracy and economy.

The present coalition commands 229 seats in the lower house against the opposition's 217. The alternative "grand coalition," that of Mr. Ecevit and Mr. Demirel, is desired in some business circles and has been canvassed by some Western countries in the past. It is hard to see what this curious alliance could achieve and its chances seem remote. But matters could change, with one potential influence being if the Shah's position were to alter and political shock waves spread over the border.

Struggles to avoid a long recession

FIVE YEARS ago for the equivalent of about £400 one was able to by a 250 sq yd plot of land near the Turkish Aegean seashore. Now for the same amount, it is not even possible to buy curtains for a similar-sized house. Inflation, which has been averaging 15-20 per cent in the first six years of this decade, shot up to 40 per cent in 1977. OECD statistics show that by the summer of 1978, the year-to-year rates of increase exceeded 50 per cent for the wholesale prices and some 70 per cent for the cost of living index.

These statistics are sufficient to illustrate the severity of the economic crisis and how formidable the problems were when Mr. Bulent Ecevit came to power in January this year. The other principal problems included a severe foreign exchange famine, a large deficit in the balance of payments, a heavy burden of external short-term debt, and high unemployment.

The roots of the crisis lie in the past and principally centre around two elements: high growth and rapid industrialisation, relying on tariff protection and public deficit spending and failure to adjust to the international inflation and recession which followed the oil revolution of 1973. It is possible to put the blame on political instability, governmental inefficiency, bureaucratic indolence and general economic mismanagement.

Question

But apportioning blame and making historic analyses are fruitless. The principle question now is whether Turkey can prevent itself from slumping into an extended recession.

After coming to power Mr. Ecevit adopted an economic stabilisation programme and signed a stand-by arrangement with the IMF in April providing for a total of $450m over a period of two years.

Simultaneously, work commenced on restructuring the short-term debt burden, which, since February, 1977, the central banks has found itself incapable of servicing. In the middle of 1978 there was $7.2bn disbursed short-term debt, $5.3bn disbursed medium- and long-term debt and $2.8bn undisbursed debt. Considerable progress has been made in making the short-term debt medium-term, but the problem is far from being completely settled.

The objectives of the stabilisation programme, as explained by the Ministry of Finance were: "To restore balance of payments equilibrium, particularly by increasing export revenues, achieve a significant reduction in the rate of inflation, increase domestic savings and reduce unemployment."

The measures taken were the classical ones: a devaluation of the Turkish lira by 23 per cent against the U.S. dollar and subsequent readjusting of the cross exchange rate differentials, a tight budget policy, limiting the net assets of the central bank, reducing imports and the like.

Congestion of traffic in the overcrowded streets of Istanbul is the cause of long queues in places such as Taksim Square Bus Station

The impact of these measures cannot be expected to be immediate, and it is only over a period of time that their fruits can be collected.

The fact remains, however, that at the end of the first 10 months of this year the Government had been unable to meet the target it set for itself in several important fields. Inflation has continued at a high rate and even accelerated with the overflow of "sock inflation" from the last quarter of 1977. The restrictive measures have contributed to a growth in unemployment, which stands at 20 per cent is highest in the OECD. Fresh trade credits have been very inadequate and the foreign exchange bottleneck could not be broken despite the fact that the current account deficit was reduced by about $1bn.

The foreign exchange famine may have started a vicious circle effect. Shortage of imported raw materials and spare parts are cutting back industrial production, which in turn is decreasing exports and increasing unemployment, while the average utilisation of manufacturing capacity was 50 per cent in the second half of 1977. This rate has decreased further in 1978 due to depletion of stocks and inadequate imports.

The overall effect will be a reduction in thet development rate which, at an average of about 7 per cent per annum over the 15 years preceding the crisis, was one of the highest in the world. The GNP rate of increase in 1977 was 4 per cent in real terms and will probably be just over half that in 1978. The Government anticipates a real growth of between 2.7 per cent and 3.5 per cent.

It is clear that Mr. Ecevit must take additional stabilisation measures and press on with crisis management. This has already been suggested by the IMF, the OECD and Turkish industrialists and businessmen.

"An increase in foreign trade credits is badly needed," states a confidential OECD report. "But it is probably only by demonstrating convincingly that all possible efforts are being made to overcome the payments crisis and reduce inflation that it is realistic to expect an increase in such credits."

During the review of performance criteria by the IMF, probably towards the end of this month, these considerations are expected to dominate the agenda.

There is already speculation that the IMF may not release the third tranche unless Ankara undertakes to tighten belts further. The continuation of the fund's "green light" is vital in general because the entire international community's eyes are on it, and in particular because the fate of a $500m loan syndication by international banks hangs on it too.

Default

Under the terms proposed by the Turkish central bank for this borrowing, any event which "suspends or limits the Republic of Turkey's ability to utilise the resources of the IMF, including SDR facilities" would constitute a default by Turkey. Further, the availability of the second half of this facility would be conditional upon "satisfaction of the criteria with respect to the third and fourth tranches under the IMF stand-by facility."

These undertakings put Mr. Ecevit under an obligation to bite the bullet and continue to tighten the belt (which the opposition black humourists say is "around the neck of the poor"). It is a prospect which he clearly does not relish. Like many people in seats of power in the Third World, Mr. Ecevit maintains that the IMF prescriptions are recessionist and are not compatible with the socio-economic realities of the underdeveloped world. It is because of this, he says, that IMF prescriptions go hand in hand with military dictatorships or the dangers of coming under one. That he feels this is deeply for Turkey is obvious. He is on record as saying that he has no intention of putting Turkish democracy into a sick bed by getting the economy out of one. He would not throw democracy into the fire "for a billion dollar loan." Turkey, he hints, has other places to go to than the west.

Understandably, Mr. Ecevit has to maintain an equilibrium between economic and political considerations and may be considered to be justified in his frustrations. With the visibility in the foreseeable future steadily decreasing, it is impossible to assess how he will maintain this equilibrium, or whether, indeed, it is an equilibrium which can be maintained.

There is, however, many reasons to be optimistic. The present crisis is the outcome of mismanagement, rather than potential, which is vast and in some areas virtually untapped. It has in a way been a good crisis in the sense that it has rudely and cruelly awakened Turkey to the awareness of the foolishness of past economic policies. The mere fact that Turkish industrialists, opulent on excessive profits made from a captive market, are beginning to think in terms of "export or die" is by itself revolutionary. If it lives up to its promise the new attitude towards foreign capital, too, can in the medium term also be revolutionary.

There is all the reason to believe that if Mr. Ecevit can persist in his economic policies, which to date have been brave and generally wise, the Turkish economy may reach a new balance at a healthy level conducive to sustainable growth.

But before everything else the existing danger of slumping into a prolonged recession must be averted. And to be able to achieve this, Turkey needs a commodity which is even more precious than foreign exchange: patience.

Metin Munir

A big increase in political violence

THE ISTANBUL popular daily, Gunaydin, recently published some photographs of members of the Nationalist Action Party posing with revolvers in front of photographs of their leader, retired Colonel Alparslan Turkes.

The NAP's explanation of these photographs was that its members were "rehearsing a play." But there is little theatre in the political death toll this year — now an appalling 600. And there is little play-acting in the ranks of the NAP. Of the 1,800 people under arrest because of terrorist activities over half are rightists, nearly all of these belonging to the NAP, according to the Prime Minister, Mr. Bulent Ecevit.

The charges against some of the leaders of the youth organisations of the NAP range from handing out the guns used for murders to actually committing murder. Photographs of one of their several training camps have recently appeared in the Press. The prosecutor is investigating the party.

All this is a major change from the days before the new year when the NAP (its symbol the wolf) was in power and its leader the deputy prime minister of Turkey. Then the police seemed to give its militant followers, the Commandos, a flickering green light and the intelligence authorities appeared to sympathise with it. But now, as Mr. Ecevit puts it: "The rightist terrorists who had practically got hold of the state mechanism but have lost it after we took over have become very frustrated."

Terror

Frustration for such militants means terror for many. NAP sympathisers have dragged members of the non-violent Marxist party, TIP, the Turkish Workers' Party, from their beds and shot them. It is they who appear to have gunned down prosecutors and academics investigating their activities. They have lobbed bombs into student gatherings and shot down professors who had never been involved in active politics.

The fear of assassination keeps many at home in what is an undeclared curfew where even lecturers can expect to be given police bodyguards.

In 1977, Amnesty International concluded that the bulk of political violence was initiated by the right. This long continued to be the pattern but now, as the police have begun to adopt a slightly more even-handed approach, the *gauchiste* left is increasingly settling old scores. In this, the major organisations IGD (the pro-Moscow Progressive Youth of Turkey) and Devgenc (the large student body, Revolutionary Youth, following a more aggressive policy than IGD) are not attacking the institutions of State. Instead their targets are the extreme right whom they see as threatening to bring fascism to Turkey. But some of the small groupings on the extreme left are closer to the Red Brigades in their approach, in particular the *Acilcilar* and the Marxist Leninist Propaganda Union.

Serious enough as this situation is, there are even more worrying aspects to the problem. In Sivas, in September, nine people lost their lives and more than 100 were wounded in clashes between the Alevis—members of the local Shiite sect of Islam, who tend to support Mr. Ecevit or the left—and the more traditional and conservative Sunnis.

It was the worst such fighting since April when a parcel bomb killed the mayor of Malatya and triggered off days of rioting—not least because the mayor was one of Turkey's 5-6m Kurds.

This new and potentially explosive form of tension reflects the change in the NAP's strategy. Initially, it concentrated on the universities and sought to establish footholds in the developed west of the country.

But various studies have stressed how it has since campaigned for support in those areas of Central and Eastern Anatolia where capitalism has not yet taken root, where its approach is seen as threatening the patterns of centuries and where traditional elements of society welcome an alternative to the patterns of development so far seen.

Mr. Turkes's party has grown rapidly in these areas. His growth is underpinned by both ritual and a philosophy. His party symbol is based on the Grey Wolf which Turkish legend says led the Turks forth from Asia Minor. His followers call him "leader" and howl when greeting him.

The philosophy is a mixture of nationalism and socialism, making an appeal in a country where pride in Turkishness is

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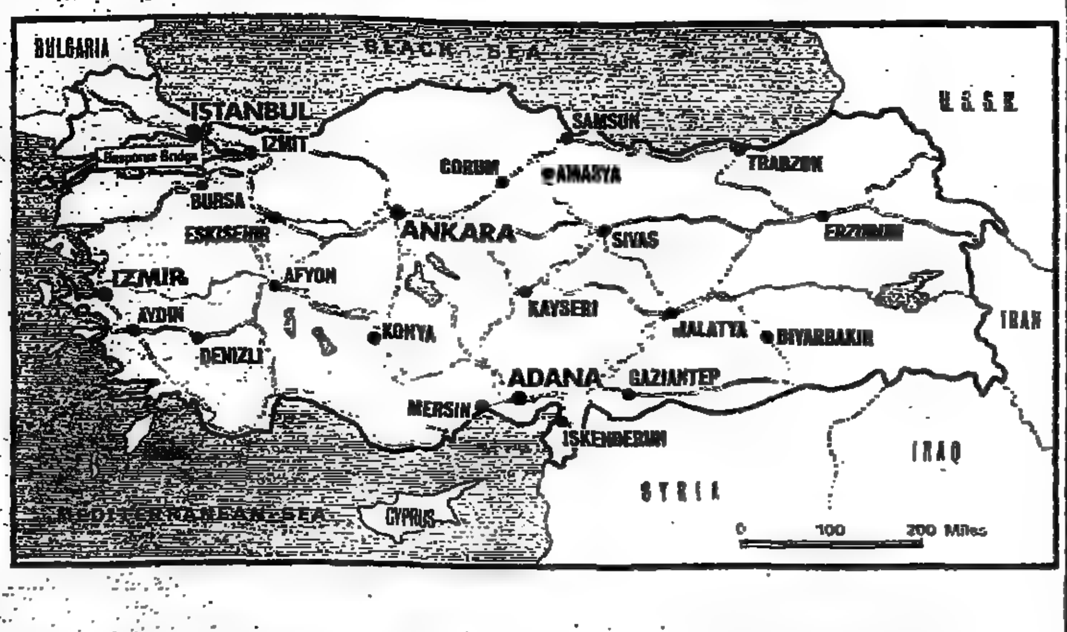
New landmarks in foreign policy

ON NOVEMBER 16 two ships from the Soviet Navy are to arrive in Istanbul for a five-day official visit.

Istanbul, which sits astride two continents, is not unknown to Soviet seamen who frequently navigate the Bosphorus back and forth between the Black Sea and the Mediterranean.

Last year over 200 Soviet Navy ships—including the aircraft carrier Kiev — and a large number of merchant navy vessels voyaged through the Bosphorus. But it will be the first time since Turkey entered NATO that Soviet ships will actually stop in Istanbul on an official visit. Two Turkish destroyers will sail to the Black Sea port of Odessa in the beginning of December to repay the visit.



Turkish-Soviet relations have come a long way since the end of World War Two when Stalin denounced the 1925 Turkish-Soviet Treaty of Neutrality and Non-aggression and made territorial demands on Turkey. Ankara rejected these demands, which Stalin's successors later called "idiotic"—and joined NATO.

Khrushchev

After the ousting of the erratic Khrushchev, the Kremlin has pursued a consistent policy of building up a sense of security in Turkey which has paid off handsomely.

Since the mid-60s, exchanges of top government leaders occured and in the past decade the Soviet Union became one of the biggest suppliers of project credit to Turkey.

In June this year, Prime Minister Ecevit paid a visit to the Soviet Union and signed a "political document on friendly relations and cooperation" with the Soviet leaders.

While in no way a non-aggression treaty, the document became a new landmark in detente between the two historic enemies. Mr. Ecevit also brought back a promise of 3m tons of crude oil a year in exchange for Turkish wheat and other commodities and increased project credits.

The Cyrus question, one of the principal factors contributing to the reshaping of Turkish foreign policy in the last 15 years, appears to have also been the gauge for the improvement in Turkish-Soviet relations.

For Mr. Ecevit, who was Prime Minister then also, the Soviet silence must have been a very welcome move which he could not easily forget.

The American reaction to the Cyprus war, on the other hand, was something which neither Mr. Ecevit nor any other Turk, is likely to ever forget.

The arms embargo, imposed by the U.S. Congress acting at the instigation of the Greek-American lobby, lasted three years and did irreparable damage to the once "perfect" Turkish-American relationship. The Turkish armed forces, particularly the Air Force, suffered badly. About 95 per cent of the Turkish arsenal is American-supplied. The embargo was particularly painful because it coincided with a period of crisis in Turkey's relations with Greece.

The Turkish generals could not have relished seeing the balance in the Aegan beginning to tip in favour of Athens while their hands were tied by the embargo and the economic crisis which prevented them from shopping for arms elsewhere.

The embargo's real damage, however, was moral: it undermined, probably permanently, Turkey's confidence in the U.S. —and, by extension, NATO— and reinforced Ankara's suspicion that in the event of a Turco-Soviet confrontation the U.S. might leave Turkey alone.

To understand the impact of this on Turkish thinking it is necessary to understand that fear of Soviet aggression has been the cornerstone of the Turks' defence and foreign policies for centuries.

"We have to ensure that we do not become the first target in a nuclear war," said an elder Turkish statesman. "Better we should ensure that we don't become a target at all."

It is probably similar considerations which prompted Mr. Ecevit to build up new defence and foreign policy concepts. While as yet more philosophical than practical, these policies reflect a change of attitude to recent international developments which affected Turkey intimately.

Basically, Mr. Ecevit believes that Turkey's contributions to NATO far outweigh the benefits it accrued and, furthermore, Turkey has been stabbed in the back by the American embargo. Thus, while remaining in NATO, Turkey must see to it that its NATO membership does not become a threat to its neighbours.

Turkey must build up a ring of friendship around it so that it is not embroiled into a confrontation with its neighbours.

It would be dramatic but incorrect to interpret these as meaning that Turkey is considering a radical change in its posture either now or in the foreseeable future.

The fear of Russian aggression, which for so long dominated Turkish thinking almost exclusively, is no longer the principle factor. Two factors which are arguably more prominent, have cropped up: one of them is the possibility of a confrontation with Greece over the Aegean Sea and the other the economic crisis which has had Turkey in its grip for nearly two years.

The Turks and Greeks have been interlocked in war and peace for nearly 900 years—but never in love.

The Greeks bitterly resent the Turkish intervention in Cyprus — which they blame NATO for not stopping—and fear to the point of paranoia that Turkish claims over the Aegean seabed and airspace conceal Turkish territorial designs on their Aegean possessions.

While rejecting this vehemently, the Turks argue that the Greeks want to oust them out of the Aegean completely and isolate them in the West by invoking a host of racial, religious and historic prejudices against the Turks.

The dialogue which opened at Mr. Ecevit's insistence between the prime ministers of the two countries early this year have led nowhere although a number of talks at lower levels have been held.

Crisis

The dispute over the Aegean continues to be potentially explosive. The hostility between the two may be compounded after Greece's accession into the EEC. For the Turks the possibility of a confrontation with Greece is more real than a war with the USSR.

With the repeal of the embargo, the Cyprus question has receded into the background and, in the words of a Turkish observer, become "a secondary nuisance."

The economic crisis is the newest factor to play a role in the shaping and conduct of Turkey's foreign policy. Mr. Ecevit appears to believe that the West owes it to Turkey to extract it from its dire straits. Turkey can no longer tolerate being the lonely and poor guardian of NATO's easternmost flank. It should be helped so that it stops being the only under-developed member of the prosperous EEC and NATO clubs. Otherwise, he threatens, Turkey will look "elsewhere."

It is unlikely that the West will, or even can, pay the price which, other considerations aside, is immense. The West is proposing that Turkey should forget its development average of 7 per cent a year as average in the past 15 years—one of the highest in the world—and stick to a more realistic rate of two or 3 per cent.

Preoccupied with political survival in a country which has the highest inflation and unemployment rates in the OECD, Mr. Ecevit does not have any sympathy for such remedies. He believes that even the democratic system is at stake.

To assess the possible impact of the West's refusal or inability to come forth with satisfactory cash on Turkey's foreign policy is, at this time, impossible. However, one doesn't need a crystal ball to guess the chagrin and disappointment it will cause in Ankara.

The economic situation has added a dimension to Turkey's relations with foreign countries in general. An increasing number of cabinet ministers are visiting a growing host of countries purely on economic missions, a relatively new phenomenon in Turkish affairs. Most of their destinations are in Eastern Bloc and Arab countries.

After the embargo and, in particular, Mr. Ecevit's accession to power, there has been persistent speculation in the West that Turkey may be slowly drifting outside the Western camp into non-aligned pastures. There is no evidence to support this speculation. Turkish foreign policy is just becoming more pragmatic and self-interest-oriented.

M. M.

Violence

CONTINUED FROM PREVIOUS PAGE

rampant and social inequalities are staring.

"There is no need to copy the sadistic Slav Marxism or to embrace the cold capitalism of the Anglo-Saxons," he has written, calling for a "third way." He dismisses social democracy as "the democracy of the employers" and would introduce castes rather than classes, abolishing parliamentary rule and introducing prime ministerial rule.

His emphasis on "Turkishness" is seen by his opponents as akin to racism and, in fact, his support is particularly strong in provinces where Turks exist side-by-side with those of other racial origins, such as the Kurds. Now he has been openly calling for the introduction of martial law—an appeal greeted by Mr. Ecevit with such remarks as: "You can't settle the matter through martial law although you can make it worse, as we have seen in several countries."

It is, in fact, one of the bitterest failures of the present Government that it has failed to halt the blood-letting. It had made life and security—using those words rather than the more "authoritarian" law and order—central to its 1977 election campaign. It has put as Minister of Interior the retired Air Marshal Irfan Ozaydinli, a man with a reputation for competence during his earlier period as a martial law commander. And as Minister of Education is Mr. Necdet Ugur, a former Istanbul police chief. But the death toll has doubled.

"Our main deficiency and disadvantage has been the condition of the internal security forces," says Mr. Ecevit. Riven by politics and with Mr. Ecevit unwilling to take advantage of the help "against fascism" offered by the policemen's association, Pol-Der, he has brought British policemen in to help with the police and gendarmerie in to help in the cities. What is sometimes called "civil martial law" seems to apply as the authorities use the gendarmerie to clear student hostels or mount road searches.

However it was only in September—nine months after taking office—that he was able to appoint a man of his trust to run Turkey's Central Intelligence Agency, MIT—a body frequently accused, even by Mr. Ecevit's deputies of having provoked violence in the past. Elsewhere too the process of weeding out Mr. Turkes's supporters has been a slow one.

Now much greater success is being had in making arrests and moves are under foot to have courts earmarked just for terror trials. In all this there is little co-operation between Mr. Ecevit and the leader of the opposition, Mr. Suleyman Demirel. But there is little room for such co-operation, not least because Mr. Demirel continues to defend his alliance with Mr. Turkes and to harp on the dangers of communism while most observers would argue the real danger lies from the opposite quarter.

Mr. Demirel has recently been attacked in the left-wing press for suppressing a 1970 report by the Ministry of Interior on the para-military activities of the NAP. Yet however criticised this party may be, the origins of the violence date back to long before the party's formation in the mid-1960s.

These origins are to be found in the massive uprooting of Turkish society which has accompanied industrialisation. The question of foreign interference is less often raised in Turkey than in many other countries at its stage of development. Instead, Turks connect the present problem both with the economic situation and the country's political tradition.

Unemployment effectively totalling well over 20 per cent and inflation of over 50 per cent provide an acid backcloth to the situation while Mr. Ismail Cem, the former director general of Turkish Radio and Television, has linked the readiness to turn to violence to the tradition of authoritarian suppression of dissent exemplified by Kemal Ataturk himself.

With such origins the problem is the harder to correct. The economic crisis continues. The political tradition cannot be changed overnight.

On the contrary, the killing only intensifies the bitterness which now directly affects much of society—even the high schools. But the flame set to the potential racial and religious bonfire is the most dangerous challenge to the harmony imposed on Turkey by Kemal Ataturk in the 1920s. That harmony was imposed by force. Now it is threatening to destroy it.

D. T.

Debt burden has eased a little

"BORROWING IS a whip which makes a brave man run faster" was a favourite proverb of former Prime Minister Suleyman Demirel. Unfortunately for both Turkey and hundreds of foreign banks and suppliers, the whip with which he chose to beat the Turkish economy into making a new leap forward was of the wrong kind.

The system which Mr. Demirel introduced in 1975 was very simple. He offered foreign depositors an attractive spread over normal rates to put their foreign currency into the so-called "convertible Turkish lira deposit accounts" in Turkish banks. The central bank shouldered the risk for fluctuations in currency parities and the interest burden.

Outcome

For a year or so everybody was happy. The depositors were happy because they received a lucrative return. The central bank was happy because it received foreign exchange to make up for the fall in income, tourism revenues and workers' remittances. The Turkish lira equivalent of the deposits were happily spent by Turkish industrialists and businessmen starved of cheap credits.

The middlemen were the happiest of all because they became millionaires overnight by getting commission. The difference in the interest rate between, say, the Deutsche Mark and the Turkish lira is about 20 per cent, so most Turkish businessmen were quite willing to make under-the-table payments to obtain the cheaper D-mark.

There were, however, several aspects of the scheme which were severely wrong.

First, the spread at 1.75 was constant irrespective of maturity. There was therefore no inducement for depositors to make long-term deposits. Consequently the overwhelming bulk of the deposits bunched up in maturities of between six to nine months.

Secondly, because there was no foreign exchange risk for the depositor or the borrower, most deposits were made in strong currencies like the D-mark and Swiss franc.

Thirdly, the money thus borrowed went towards bridging the widening foreign trade gap—in other words Turkey used expensive short-term funds for what turned out to be long-term purposes since it could not generate enough money to repay the debts.

At the beginning of last year the central bank found itself unable to service these or other debts to suppliers. The period coincided with the worst economic crisis the country had faced, with political instability and growing violence added.

At the beginning of 1978, when Mr. Ecevit came to power Turkey intensified action regarding its formidable debt situation. "We inherited a series of impressive records," said Mr. Muezzinoglu, the Finance Minister, with wry humour, "record debts, record inflation, record unemployment and a record trade deficit."

Turkey could not service its debts and aimed to restructure them and spread them over a period of time with the hope that the economy would recover. This view was shared by the creditors who did not really have any other choice.

In May in Paris the OECD countries agreed to reschedule debts of \$1.46bn owed by Turkey to suppliers covered by export guarantee agencies. Since then Turkey has been negotiating agreements country by country and by the end of the year hopes to have a new calendar of repayment for this category.

It took six months to prepare the restructuring scheme to be submitted to the foreign banks.

At the end of last month, after numerous sessions with seven major banks—Barclays, Deutsche and Dresdner Banks, the Union Bank of Switzerland, Citibank, Morgan Guaranty and Chase Manhattan—Turkey unveiled a programme for restructuring about \$3bn of debts—\$2.2bn in the convertible Turkish *lira* accounts, \$426m of bankers' credits to the central bank and \$270m of third party reimbursement claims.

For the first two categories the central bank proposed repayment over seven years, including a three-year grace period, and a spread over inter-bank rates of 1.75. Third party reimbursement claims would be repaid over three years with a spread of 1.50. This month the central bank is expected to know what percentage of its bank creditors will subscribe to these schemes.

The biggest remaining headache is *some* \$1bn of overdue debts to suppliers not covered by export guarantee agencies.

Turkey has asked the OECD for a lump sum to pay off this debt but as yet has had no firm reply. It is unlikely that the response will be favourable because many states, considering that their companies trade at their own risk, are reluctant to establish a precedent by paying off their uncovered suppliers. Several ideas have been floated.

One, first put forward by Citibank, proposes putting funds at the disposal of the Government for paying off "selected" uncovered supplies. Repayment would be guaranteed by *both* Turkey and the company which would benefit. Several other banks, including Deutsche and Dresdner Banks, have proposed similar schemes but nothing concrete has yet emerged. The Finance Ministry believes that by paying off selected suppliers it would be discriminating against the others.

Another idea, which is in a very embryonic state, is to provide suppliers with opportunities to convert their debt into investment funds in Turkey or to buy equity in the debtor companies.

That Turkey becomes solvent and credit-worthy once more is of importance not only to the country itself but to its suppliers, which have been witnessing a severe shrinking in what was only two years ago a lucrative and expanding market. The case of a Japanese trading company is typical and illustrates the problems suppliers are experiencing in Turkey today.

The company—which does not wish to be named—started with sales of a few million dollars in the mid-sixties to reach a peak of \$156m in 1974. Its sales declined to \$109m in 1977 and will become an estimated \$20m this year.

The company is owed \$70m, about half of which is not covered by the Japanese export guarantee department.

"We are getting worried about next year," said a company director, "and we don't know what will happen to the non-guaranteed supplies—who will pay them, how and when."

He said that the company had requested the Ministry of Finance to pay interest on the overdue debts but had had no reply. It was now doing business on a limited basis through acceptance credits but was finding that arrears were cropping up in these as well.

Although the overall situation is far from cheerful, it is much brighter than it was in the beginning of the year. The Ecevit Government appears to be more alive than any Turkey has had in this decade and this may ensure a continuity in debt repayment policies, a critical factor.

To end with another proverb, this time quoted by the Minister of Industry, Mr. Orhan Alp: "He who spends borrowed money is spending from his own pocket."

M.M.

Banks face difficulties

IT HAS been a testing period for Turkey's financial institutions. Inflation and the crippling lack of foreign exchange have been the main preoccupations of those in charge of both the public and the private sectors.

These two problems have made demands which the institutions have only partly been able to meet. But the institutions, though under strain, have ridden the storm, bloodied perhaps but certainly unbowed.

Commercial banking has remained highly profitable. About the only head to roll has been that of the Governor of the Central Bank, Dr. Tayyar Sadiklar. And the only financial practice yet to suffer is that of the controversial Convertible Lira Deposits. These credits extended by foreign banks to Turkish commercial banks whose foreign exchange risk is carried by the Central Bank of Turkey are now to be phased out.

Arguably, this is happening not a day too soon: the credits were in part a channel for hot money from abroad, they were inflationary in effect and they allowed the authorities to delay facing up to the long-swelling crisis in the balance of payments.

The dismissal of Dr. Sadiklar caused considerable controversy in the autumn. His supporters and the opposition, which, when in power, had appointed him to the Central Bank, sought to present him as a martyr for the principle of the independence of the bank from Governmental control. But such a case would have been easier to accept if Dr. Sadiklar had himself stood up for the independence of the Bank before the change of government.

On the contrary, his critics believe that his failure to insist that measures were taken in 1977 and his apparent acquiescence to the then government's spendthriftness contributed to the intensity of the present crisis.

As it is, he has been replaced by a former adviser at the bank, Ismail Hakki Aydinoglu, an ambitious man with experience at the OECD—though also unlikely to stand out against the wishes of the Government which appointed him.

This Government is in fact keen to see a number of major changes in Turkey's financial institutions. Like its predecessor it tends to question whether these institutions are adapting to meet the new financial needs imposed by Turkey's development—though, unlike its predecessor, it includes members who would favour fairly large changes. The idea that nationalisation means rationalisation is gaining ground.

The basic structure of Turkey's present institutions emerged when industry was embryonic—yet industry now benefits at the expense of the individual and large-scale industry at the expense of the smaller units.

Indeed, the commercial banks which dominate the picture are increasingly helping the growth and consolidation of the larger trading groups and industrial empires, whereas other classes of borrowers find their needs are poorly catered for.

Influence

As for the banks themselves, these have arguably become the strongest pressure group in the country. Their activities are severely circumscribed by law, but the legislation is antiquated in conception and inadequate to its task. Moreover, while in theory it is the Government which regulates the banks in practice, the banks have long near-reversed this situation. They have, for example, delayed the introduction of the bill necessary to allow the formation of a capital market.

Today, the banks say that their opposition to the present draft bill for this market is because it does not go far enough, but economists counter this argument by saying they fear any development which might challenge their near-monopoly in the sector.

Even more intriguing has been the battle between the banks and the country's armed forces over whether the latter should be allowed to set up a bank — an activity which needs the approval of the Council of Ministers. Though the armed forces are usually considered *omnipotent in Turkey, it is the* banks which have so far won this battle.

Despite all these problems, the financial sector is burgeoning; between 1972 and 1977 its share of GNP rose from 1.8 to 2.4 per cent. Equally, the degree of monetarisation of the economy has continued to rise, with the prime problem stopped being how to attract hoarded savings from under the mattress.

The insurance companies have been developing fast of late with premia collected in 1976 totalling TL2.7bn, seven times the total for 1966. However, the insurance companies remain of relatively low importance, not least compared with the various public social security funds. Their assets now approach TL100bn.

With the Stock Exchange rudimentary and a capital market still to be established, the banks thus play a crucial role. In total, there are 43 of them. Three of these are holding companies for State Economic Enterprises. Ten others are controlled by the State, with two of these being investment banks. Of the 30 private banks, two are small private investment banks, five are foreign

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State enterprises under attack

THE TURKISH Prime Minister, Mr. Bulent Ecevit, is one of the larger industrial employers in the West.

More than 650,000 people are employed in the 40 State Economic Enterprises (SEE) which, ultimately, come under his control. These enterprises include a number of activities often found in public hands, such as airlines, railways and electricity. But the range also spreads far further. SEE includes major agricultural agencies and fuel bodies. And it also includes enterprises which account for no less than 38 per cent of Turkey's manufacturing production.

Though valued by a Government committed to introducing what it calls "The People's Sector," the SEE have been under some attack.

"The greatest weakness of the Turkish economy lies in the SEE," wrote Dr. Tayyar Sadiklar, just before his removal from the governorship of the Central Bank of Turkey. This is an over-statement of the case yet the performance of the SEE has been central to the course of Turkey's recent crisis.

Their financial record in recent years explains the attention which they have attracted. In years 1971-73, the SEE turned in a net operating profit, though had to rely on ever-increasing quantities of funds from the budget and State Investment Bank to finance their investment programmes.

Deficits

Since then, their operating deficits have soared. Figures for the precise totals differ. An official report by the Treasury put the programmed deficit for 1977 at TL 11bn.

However, a table given by TUSIAD, the Turkish Industrialists' and Businessmen's Association, in its latest annual report on the Turkish Economy gives provisional programme figures for 1977 of TL 19bn operating losses.

When their investment programme requirements of TL 61bn are added, their total financing requirements reach no less than 10 per cent of GNP.

The pre-election atmosphere of much of the past three years and the generally-accepted idea that the SEE have a social role to play in providing low-cost goods meant that Government's long delayed raising measures to reduce this huge and inflationary deficit. But in autumn, 1977, and on various occasions since, the price of most SEE products were jacked sharply upwards. So crucial are these products to the everyday life of the average Turk that even the President of the Republic, Retired Admiral Koruturk, felt enjoined to add his voice to the public uproar at the increases: he remarked that he trusted measures to help the lower income groups would be taken.

Despite the increases, the drain on the exchequer has only been partially reduced. The Central Bank says that, in the first eight months of 1978, the volume of fresh Central Bank credits to the SEE was TL 37.7bn compared with TL 47.4bn in the same period of 1977. Moreover, the official Treasury view is that the measures cannot close the long-term gap even though they have reduced them in the short term.

To the institutions of the West, the performance of the SEE has long been at the root of the problems of the economy. The influential report prepared for the U.S. Government by M. A. Thornburg and published in 1949 entitled "Turkey, an economic appraisal" writes: "An economy controlled by the state necessarily results in waste in every field."

It adds that the state industrialisation programme has inhibited the development of private enterprise.

A World Bank report, published two years later, suggests that the SEE be discontinued and sold to the public. Subsequent OECD and IMF reports have also focused on the poor management and inefficiency of the SEE.

One aspect of this is the debate over industrialisation in Turkey: "Though it is essentially an agricultural country, instead of favouring to the uttermost the products and cultivations of its soil and instead of handing over its raw materials to foreign industry which sends them back in a manufactured state, it committed the error of trying to become a manufacturing country itself . . . the only cause being the puerile satisfaction of being able to say that Turkey could manufacture cloths as well as Europe."

This view, cited in "The Limits of Modernisation, Turkey," by Rudy Koopmans, is interesting in that it was put forward 122 years ago by the French traveller, M. A. Ubinci. But it was countered by the Turkish philosopher, Ziya Gokalp whose views, formulated just before World War One, had a decisive impact on Kemal Ataturk, and are still important today.

"Individual ownership is legitimate, provided it serves social solidarity . . . the economic ideal of the Turks is to prevent the appropriation of social wealth without abolishing private ownership . . . The Turks also have a second economic ideal, which is to endow the country with large industry . . . without the guidance of the state, we Turks could not take even a step in this direction."

This is the theoretical basis to the *etatism* which was one of the "six arrows" of Ataturk and of the party he founded and which Mr. Ecevit now heads. But the practical origins for the SEE were the harsh years of the 1930s when in the absence of private investment the Turkish state had to step in to lay the foundations of an industrial base.

Since then, the SEE have been central to the Turkish economy. In the early 1950s, the Democrat Party made some half-hearted attempts to sell them to the private sector but they are now accepted in all levels of society as part and parcel of the Turkish scene.

Indeed, when it comes to assessing their performance, Turks insist that it is not sufficient merely to look at their balance sheet. The Treasury report distributed by TUSIAD comments: "Considering their financial losses also lead to a supply of cheap goods and services, one must bear in mind the (overall) effects on the economy and society."

By normal criteria they have *not been a great success. They* suffer from a lack of management with the suitable technical and administrative background. They have swollen payrolls and high labour costs. They are notorious for the delays with which decisions are taken. And they suffer seriously from the failure to give them the type of autonomy given to, say, the IRI units in Italy.

But they have resulted in the establishment of industry at a time when the private sector was unwilling. They have to some extent located that industry in areas which otherwise would have been neglected. They have set an example in conditions of employment to the private sector. They have also been a constant source of relatively low-priced goods and services—even if shortages and the black market run by merchants in items such as cement and steel have often meant the final user has benefited less than intended.

As the party of *etatism*, the governing Republican People's Party has always attached more importance to them than have its opponents. It has this year established a Ministry of Public Enterprises. Shortly after taking office the first Minister, Professor Kenan Bulutoglu, told the Financial Times that his plans for reorganising the SEE included rationalising them and possibly even selling-off small units.

But this has not been seen. Instead the SEE are to remain at the heart of attempts to develop heavy industry in the country. Prof. Bulutoglu has just been to Italy for talks on the setting up of engine factories under a new SEE, TUMOSAN.

As for the concept of a People's Sector, this has long been advocated by Mr. Ecevit. The central idea is to channel small private savings by Turks at home and emigrant workers abroad into enterprises to be organised by the people themselves in the regions where they are living. In a speech last month Prof. Bulutoglu explained that because the banks are tending to support "monopolistic holdings" the RPP had to set up the State Industrial and Workers' Investment Bank, DESIYAB, to act as "suckling mother" to the People's Enterprises.

A People's Enterprise Bank, People's Project Office and People's Enterprise Marketing Association are all under preparation while the RPP is also keen to see workers increasingly involved in the decision making in the companies they set up and in the SEE.

"In this way, the yield and effectiveness of the people's enterprises will not lag behind those in capitalist enterprises. Also there will be a more equal distribution of wealth," the minister added. He also described how in the first eight months of this year DESIYAB financed 22 firms, with a total of 35,000 partners and shareholders.

The caravan of the "People's Sector," though frowned on by existing industrialists, is thus moving forward. Its progress, like that in furthering co-operative ventures, is perhaps slow, but in general in this sector reform is slow to come. After the 1960 revolution, for example, about 100 expert committees were established to prepare recommendations on the SEE. Most of their reports have merely gathered dust.

D.T.

Difficulties

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banks, and the rest commercial banks.

The state is already playing a crucial role. At the end of 1977, 57 per cent. of the assets of the banking system were in banks under public control. The largest of these banks were the Agricultural Bank of Turkey (TCZB) and the State Investment Bank (DYB): together these accounted for three-fifths of the assets in the state sector and 35 per cent of the total assets of the banking system.

Of the private commercial banks, at the end of 1977 only four had assets totalling over 5 per cent of the TL231bn total assets of the commercial banks. These were Turkiye Is Bankasi (TL63.6bn) Akbank (TL44.1bn) Yaji ve Kredi Bankasi (TL41.8bn), and Turk Ticaret Bankasi (TL17.4bn). Foreign ownership banks have long lost their importance: until 1923 the Ottoman Bank, which was British owned, had, in practice, been acting as Central Bank.

The state banks all have specialised functions. The State Investment Bank plays a crucial role in the financing of the State Economic Enterprises, using its funds exclusively to *lend to these and raising its* funds from the social security organisations, requirements imposed on the banks by the Central Bank and state and foreign borrowing. It does not lend to the private sector.

The two privately owned investment banks are much smaller and their growth—and thus their ability to meet the demands made by the private sector—is severely limited by their problems in raising funds.

Industry is thus heavily reliant on the commercial banks—and these in their turn are making use of this reliance to involve themselves in the control of the companies to which they lend. Thus, two conflicting tendencies are now emerging. On one hand, the Koc group, through its purchase of a controlling share in the Turkiye Garanti Bankasi—the fifth largest bank—has followed the Sabanci/Akbank group of mixing industry and banking.

On the other hand, as one foreign financial report on Turkey concludes: "One of the striking features is the involvement of banks in economic activity through direct equity participations in industrial concerns. Although only 2 per cent of total assets of the (banking) industry is invested as such, banks' real exposure is much larger . . . once highly encouraged by regulatory bodies, this has now become one of the most criticised aspects of the (banking) industry.

As the Minister of State Enterprises, Prof. Kenan Bulutoglu, said recently: "The Bank Law, which allows private banks to extend unlimited credits to enterprises they control, has accelerated the development of monopoly accumulation of capital. Laterly, large private family firms have started purchasing private banks in order to appropriate the savings of millions of individuals."

In this context, it needs pointing out that Turkish law allows banks to lend an unlimited share of their net worth to industrial companies in which they own more than 25 per cent of the equity — a measure once necessary to stimulate industrial development, but questionable, today.

Funding

With Turkey a savings-deficit country, the problem of funding *is crucial for the banks* The state deposit-money banks are favoured in that they have easy access to the Central Bank, to bond issues and the ministries. But the commercial banks are obliged to compete with each other for funds — about the only area of banking where true competition is evident.

This problem of funds liable to become the more serious now that the banks can no longer rely on Convertible *Lira Deposits* to increase their resources of local currency.

There is no active interbank market and no negotiable certificates of deposit. Attempts to introduce float-yielding instruments such as travellers' cheques have failed. As for deposits, two-thirds of these are sight deposits, yet in practice they are less volatile than might be expected.

The services offered by the banks are very different from those in, say, the EEC. Cheque accounts are almost exclusively available only to corporate customers and consumer loans are negligible. The major part of the loan portfolio is in short-term credits for trade. It is only now that the banks have been obliged to direct a proportion of their credits to term loans that the latter have begun to grow in importance.

But in compensation for the massive range of Government legislation — all loans over TL 150,000 must go to the heads of a bank for approval and new branches can only be opened with the consent of the Ministry of Finance — profits are extremely high. They could hardly be otherwise. The banks "borrow cheap and lend expensive."

A recent study of spreads at the end of 1976 showed that the weighed cost of liabilities and capital stood at 4.85 per cent while the weighted yield on assets was 10.1 per cent. This gives a net spread of 5.25 per cent — some five times that with which Western bankers usually make do.

"High profits because of high risks" is how Mr. Sakip Sabanci, chairman of Haci Omer Sabanci Holding, the main shareholders in Akbank, describes the situation. *But it is also a sector with high costs.*

The banks spend lavishly on buildings and advertisements. It is to such purposes rather than more productive ends furthering the country's development that a share of the banks' funds is directed. Equally, they have numerous branches and most have large numbers of staff in relationship to their assets.

Determined

The former Prime Minister, Mr. Suleyman Demirel, is reported to have been determined to curb the power of the banks, but his recent coalitions were too factious to allow him to act.

Now, Mr Ecevit's own inclinations are known to be for some changes in the sector. It would in a sense be against his own interests in that the Turkiye Is Bankasi now flourishes ahead of its competitors and Mr. Ecevit's party, the Republican People's Party, was bequeathed control of the bank by Kemal Ataturk.

But if Mr. Ecevit has not acted so far it is not for this reason. Instead, his ministers are sensibly trying to ensure that the economy is back on its feet before taking any steps better to fit Turkey's financial institutions to the needs of the present.

D.T.

Coming to terms with Brussels

AFTER SEVERAL years of pronounced strain, which more than once threatened to sever their lines of communication, the EEC and Turkey have embarked on a fresh attempt to redefine their bilateral relations. The exercise began last spring when the Turkish prime minister, Mr. Bulent Ecevit, toured a number of European capitals with the avowed intention of re-establishing a dialogue which had shrivelled to near-silence during the previous administration of Mr. Suleyman Demirel.

The main immediate outcome of Mr. Ecevit's initiative was an agreement that the EEC Commission should explore with Turkey ways of giving new life to the association agreement which has linked Turkey and the community since 1963. Talks began a few weeks ago when a Turkish delegation visited Brussels, now the Commission hopes to obtain a specific mandate from the Council of Ministers enabling formal negotiations on modification of the agreement to begin in the new year

Despite the improved goodwill on both sides, that will not be an easy task. Though all EEC governments seem to recognise the political and strategic importance of consolidating Turkey's relations with Western Europe into a durable partnership, there is far from a consensus on how this aim should be translated into a practical reality. Room for manoeuvre is severely limited by internal and external constraints which will make it hard for the EEC to offer Ankara the concrete concessions it is seeking.

Favourite

While Turkey still thinks of itself as the community's favourite child, the fact is that the family of EEC countries has grown bigger and more complicated since the association agreement began. In some respects, the agreement has proved to be more a statement of good intentions than of firm commitments. The progressive integration of Turkey into the EEC has not taken place because the Turks have not been able to shoulder some of the increased obligations implied and because the agreement assumed that the Community would evolve in directions which it has not followed.

The steady deterioration in Turkey's economy, worsened by the effects of the worldwide recessions which followed the 1973 oil embargo, has prevented it from fulfilling one of the main provisions contained in the so-called additional protocol which it signed with the EEC in 1970. This called for the progressive dismantling of tariffs on EEC industrial exports to produce a full customs union. The Ankara Government believes that Turkish industry remains too weak to face the full impact of Western European export competition.

Faced with sharply rising unemployment at home The Nine, for their part, were unable to honour the timetable in the agreement which called on them to start removing in 1976 obstacles to the free movement of Turkish workers inside the EEC. Instead, the most they could offer was to give Turkish workers a right of second priority to jobs not taken by EEC nationals. More recently, the EEC has subjected Turkish textile exports to quantitative restrictions. This move has strained the spirit of the association agreement if, indeed, it has not actually violated its letter.

Externally, the Global Mediterranean policy launched by the EEC in the early 70s has caused considerable anxiety in Ankara. The Turks complain, with some justification, that their once priveleged commercial relationship with the EEC has been steadily eroded by many of preferential trade agreements between the Community and most coastal states in North Africa and the near East. The fact that many of these same countries are growing anxious that the admission of Greece, Portugal and Spain will limit EEC markets for their exports is of no consolation to Turkey.

Quite apart from fears that Greece will exploit its future EEC membership to the detriment of Turkish interests, prospective enlargement is likely to pose real limitations on the potential benefits which Ankara can hope to obtain from the Community. In the field of agriculture both Italy and France are pressing for a better deal for their Mediterranean producers which, if granted, would imply tougher protection against third country exports. The EEC market for certain manufactured products, such as textiles, is likely to grow even tighter as barriers to Greek and Portuguese production are removed, while the applicant countries are certain to fight hard for as much as possible of EEC finances to be spent on their own economies. Under these circumstances, the EEC will not have the resources to shoulder more than a small part of Turkey's problems.

Until recently, The Nine have been able not to pay too close attention to the problems raised by Turkey's demands by claiming officially that it was up to Ankara to advance specific proposals for revising its agreement with the EEC. These have now been presented, in outline form at least, and the EEC must soon consider how to formulate a response which will avoid as far as possible disappointing Turkish hopes.

The most striking Turkish demand is for assistance in financing a highly ambitious $64bn economic development scheme tied to the new five-year plan, which goes into effect at the start of next year. It envisages that more than $15bn will have to be raised externally, of which about $8bn from sources in Western Europe. This sum vastly exceeds the loans and grants available under the prevailing third financial protocol, worth 310m units account (about £207m), which has yet to be ratified by Turkey.

It is doubtful whether an increase in EEC financing, and in bilateral aid from member governments, would go much further to meeting the Turks' demands. But the EEC could perhaps help by encouraging private banks to step up lending and by trying to persuade other members of the Organisation for Economic Co-operation and Development to contribute financially.

The EEC is unlikely to be able to offer Turkey much in response to its demands for better access for its agricultural exports and free entry for textiles products. The former demand will almost certainly be resisted by France and Italy, while the latter will be undoubtedly opposed by the UK. Equally, there seems little chance of Germany, which houses the bulk of Turkish workers already in the EEC, agreeing to relax significantly the present constraints on free movement of labour.

Indeed, some German ministers have hinted that they would like a freeze on EEC labour movement policies, even for workers from the three candidate countries, until 1990, with no more than a promise to review the situation afterwards. There have been suggestions that some EEC governments might try to make the dropping of Turkish demands for freer policies in this area the price for accepting Ankara's request for a further five-year postponement of the removal of tariffs on EEC industrial exports.

EEC officials in Brussels argue that despite its current problems, the Turkish economy has considerable potential. A more open attitude by Turkish authorities to foreign investment coupled with the abolition of internal administrative obstacles, could lead to the development of a large-scale tourist industry. Another potential area for expansion is said to be agri-business, especially the production of soya, for which there is a substantial market in the Community. But such suggestions are of a long-term nature and fall short of the rapid measures which Ankara is apparently seeking from the Community.

If Governments of the Nine are hard-pressed to find satisfactory answers to Turkey's economic and commercial demands, they appear to have given little serious thought either to the future development of relations at a more purely political level. Officially the EEC's aim is to preserve a balance in its relations with Greece and Turkey, but no one seems to have a clear idea of what this means in practice or how a Community of ten members would respond, say, to a renewed outbreak of Greco-Turkish hostilities over Cyprus. With Greece inside the Community and entitled to vote in the Council of Ministers, the maintenance of an inpartial attitude by the EEC would call, to say the least, for extraordinary restraint by all its members.

Process

Some Governments of the Nine have suggested that Turkey should be invited to participate in the process of political co-operation, in which they seek to co-ordinate national foreign policies. Such a move, it is argued, would demonstrate the community's interest in retaining close links with Ankara while enabling it to act more effectively as a mediator between Ankara and Athens. But this proposal was rejected on legal and institutional grounds, and it has been decided instead that the Turks will merely be informed of those elements of political concern to them once Greece enters the EEC. Whether or not this process leads to genuine consultation remains to be seen.

Haunting the EEC's deliberations on its future policy towards Turkey are two spectres. The first, to which both Britain and Germany have paid particularly close attention, is that if the EEC fails to respond adequately Ankara will turn its back on Western Europe and the rest of NATO. The second, paradoxically, is inspired by precisely the opposite fear: this is that to increase its leverage on the Community, Turkey will exercise the right written into its association agreement to apply for full membership.

In view of the strong residual antipathy towards Western Europe still evident in Turkey, such a move seems hardly likely to materialise within the foreseeable future. But the fact it is mentioned in Brussels, amid dire warnings of the implications for the EEC itself, is a measure of the alarm with which some officials view the consequences if the EEC fails to provide sufficient new impetus to its present relations with Ankara.

Guy de Jonquieres

Army needs modern arms

TURKISH GENERALS are frustrated. The army is generally running on immediately post-Korean war equipment, the oldest in NATO and older than those of every surrounding nation, including Greece.

According to one estimate, to re-equip the 430,000-strong army with modern arms would require $10bn, more than five times the revenue accrued from exports last year. Given the foreign exchange constraint, which will probably last into the early 1980s, it seems very unlikely that this amount or anything remotely near it can be spared barring dramatic developments which would force the country to divert vital investment funds for military use.

It would appear that Turkey will have to continue using systems discarded by other NATO countries, principally the U.S., remaining more or less one generation behind.

Cutting down the size of the army, one of the biggest in the world and second in size in NATO only to the U.S., would not generate adequate funds for re-equipment. The Turkish army is conscript and relatively cheap to maintain.

The country is manufacturing ammunition, light infantry weapons, anti-tank missiles and building landing craft, fast missile-firing patrol boats and submarines. But such state-owned local industries are small and inadequate for the army's vast and sophisticated requirements.

The ambitious plans of the early 70s to expand the armaments industry and manufacture jet fighters have been dropped, at least until the economy stabilises. Though great emphasis is put on expanding the factories. The matter is to be discussed with the U.S.

Not all services' arsenal are of the same vintage. In the navy there is some evidence of modernisation thanks to vessels built in naval dockyards and purchases from Germany. The air force is mainly dominated by obsolescent F104 and F104S aircraft and the newer Phantoms F4E S. The huge ground forces appear to be the worst off.

The biggest slice in the budget is for defence, 52.9bn Turkish Lira ($2.1bn) in the 1978 fiscal year budget, accounting for almost one fifth of total Government expenditure. About 8bn Turkish Lira of the defence budget is earmarked for re-reorganisation and modernisation of arms equipment and the armed forces under the so-called REMO programme. (This is a long term 60bn Turkish Lira improvement programme.) About 44bn Lira is for "maintenance of war capabilities and services"—36bn of this for current expenditure and 8bn for military investments.

The Cyprus war of 1974 led to two profound developments. One of them was the embargo which the Greek-influenced American congress imposed to punish Ankara for the invasion and force it to make concessions. The second was the increase in animosity between Turkey and Greece, which made their dispute over the Aegean sea potentially more explosive.

Both of these developments have contributed to the formulation of Mr. Ecevit's new national defence concept.

Situated as it is in the most sensitive region in the world, Turkey cannot allow its national

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Debate rages over joining the Nine

KEY'S MARRIAGE to the 15 years ago was not one ve or even economic feasi- but a political match of enience.

admitting underdeveloped ey in their club the pros- us nations of Western pe were in effect paying a tant price for Turkey's dianship of the eastern flank of NATO. Turkey, its part, had mixed feelings rds the Common Market was neither able to exploit advantages of its association the full nor to press to rove its position.

lthough the political deci- for attaining eventual mbership remains unchanged debate on whether or not key should—or indeed can oin is still persisting. It is inly because of these half- rted attitudes in both kara and Brussels that over years the association rela- nship has declined to its rrent phase of deadlock.

Agreement

Turkey signed its association reement with the EEC in 63, about two years after reece had signed. The short- rm aim was to reduce the gap etween the Turkish economy nd that of the Community and he long-term one accession to he Community.

After a 10-year preparatory eriod Turkey would adopt a imetable which would gradually liminate its existing tariffs on ndustrial imports from the Community. For industrial goods in which Turkey was deemed to be more competitive the tariff reductions would be eliminated over 12 years and others over 22 years. Thus by 1995 Turkey would become a full member of the Community —the first Moslem country to ecome so.

It now appears almost certain hat this timetable will have o be shelved. Last month Mr. Ecevit sent a delegation to Brussels requesting a five-year reeze on Turkey's obligations o the Nine. In other words, while the association agree- ent and its annexes would re- ain in effect, Ankara would top lowering its tariff barriers.

Thus while Greece, Spain and Portugal were hurrying to get n, Turkey was delaying its ccession by five years to the ear 2000. Ankara's crisis- idden relations with the Com- munity had in effect been frozen since 1976 and been get- ting progressively chillier before that.

The Turks themselves are greatly to blame for this. Ankara committed the mistake of assuming that the association agreement would suffice to iron out automatically all problems as they cropped up. Of course nothing of the sort happened. While Turkish bureaucrats and governments slumbered, many States signed agreements with the EEC which eroded Turkey's outdated concessions. By the time Ankara woke up, the oil crisis and the consequent re- cession in Western Europe had induced a harder bargaining mood in Brussels towards Turkey's efforts to redress the situation. Three years ago the Turks called for a round of negotiations and asked for concessions—none of them granted.

The Turkish claims revolve around four principal points. First they demand better conditions of access for their agricultural products—Turkey's biggest foreign exchange earner —claiming that third countries like Israel and those of the Maghreb, which will never become full members, are more privileged.

Secondly, the Turks want free circulation rights for their workers in the Community as stipulated under the association agreement. Thirdly, Ankara is demanding that the restrictions imposed by the Nine on Turkish cotton yarn, textiles and ready-made clothing imports be removed. Last but not least Ankara wants more economic aid.

All four proposals have more or less been rejected in the past and have been repeated in Brussels last month. EEC officials now refer to Themas—"Turkey's Traditional Demands" —an indication of their age if nothing else.

To be fair, Ankara has justifiable moral and legal grounds for its grievances. The erosion in agricultural concessions is a fact. It is also true that the EEC is reneging on its obligations by not granting free circulation to Turkish workers. The Turks further point out that as soon as they attain competitive export potential in an industrial field — for example textiles — the EEC invokes protection rights and brings down the guillotine.

But again in all fairness Ankara must take the blame for acting only after its grievances reached crisis proportions.

Frozen

In the light of recent developments, however, all of this has become more or less historical. Both Ankara and Brussels are now more concerned with the "freeze" and its implications.

The Ecevit Government is stoutly denying that the freeze is an anaesthetic preceding the complete severance of ties. "We are not asking for the freeze to waste time" said a Turkish official. "We want to develop our relations and make them more dynamic. The Community understands."

Says Mr. Ecevit himself: "We want to freeze our relations in order to make them stronger."

The pro-marketeers, including former Prime Minister Demirel, do not agree with him. "He has frozen up everything so he is freezing relations with the EEC as well," charged Mr. Demirel. He claimed that the freeze would be the first step out of the EEC.

Other opponents to the freeze claim that Mr. Ecevit has taken the easy way out under the influence of anti-market bureaucrats. They maintain that the move will do irreparable harm politically by leaving Turkey behind the political unity movement which Greece is joining. They also claim that with EEC competition now more remote Turkish industrialists will continue to persist in uncompetitive industries and make fat profits.

Problems

Mr. Ecevit says that Turkey has problems not only with the EEC but has to fight the gravest economic crisis in its history. The five-year grace period would enable Turkey to put its house in order and provide a breathing space for Ankara and Brussels to sort out their problems. There was no question of extending the five years.

Ankara intends to open negotiations with the EEC three years hence, in the light of the new conditions which would come about with the Community's expansion.

While asking for the freeze the Turks also placed a monumental financial request before the Nine. In Brussels Turkish officials told the EEC that Ankara was counting on raising from the Community about $8bn of the $15.4bn external financing required by the fourth five-year development plan (1979-83).

They requested $4.4bn under a new financial protocol. $1bn in emergency aid. $1.5bn through the OECD and $960m in foreign private capital investments. The EEC's reaction was that this was an "unusual" request.

It appears likely that by the end of the year Turkey will have an official reply from the Community and act accordingly. While the Community is expected to agree to the freeze it would be unrealistic to expect that the financial request will be granted to the extent demanded by Ankara.

Generally speaking, while the freeze may numb the pain in the Turkish-EEC relations it will raise many crucial questions.

If the Turkish-EEC relations are to be shelved for five years will they ever be reactivated? What will happen to Turkey's request to be included in the EEC's policy formulations? Will Greece not make life unbearably difficult for Turkey after it gains full membership? Perhaps economically most important, after Greece, Spain and Portugal become full members, flooding the EEC with their agricultural products, will those of Turkey have any chance at all? Last but not least, is Turkey missing the European bus?

M.M.

Army

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defence to be dependent on the decisions or indecisions of other countries, states Mr. Ecevit. Explaining why there is a need for a new defence concept, he continues:

"Though it has for many years contributed, far beyond its economic means to the common defence system to which it belongs, Turkey has recently been put into a position where it had difficulty even in purchasing with cash from its allies the defence material and equipment or the spare parts for the equipment and material it possessed.

"This painful experience has clearly shown the risks involved in making our national security dependent beyond a certain point, on external sources, particularly on one source.

Concept

"To avoid making the same mistake Turkey was obliged to formulate and carry out a new national security concept. This should be a concept which should take into consideration not only the importance of our membership in Nato but also give priority to safeguarding Turkey's national security," says Mr. Ecevit.

He suggests a fundamental change in the army: "Instead of a defence system which relies heavily on large manpower," he says, "A national defence force shall be formed which meets the demands of modern defence technology, which has superior fire power, strike potential, mobility and effective communications."

Another dimension which he emphasises is relations with the countries surrounding Turkey:

"Friendship with all regional countries is essential for national security," states Mr. Ecevit. "Measures of national security or contributions to mutual security systems should not be such as to instigate suspicion and distrust in the other countries of the region."

While the sections of the concept pertaining to foreign policy are being carried out the modernisation of the army will have to wait more affluent days.

In any case Mr. Ecevit's new concepts about defence are still not concrete or detailed and are more philosophical than practical.

Regardless of what Mr. Ecevit may be contemplating, Turkey appears to be obliged to continue relying on the West in general and the U.S. in particular for its supply of arms. Soviet Chief of Staff Marshal Ogarkov who visited Turkey earlier this year hinted that the Soviets could sell arms to Turkey but this does not seem to be feasible.

It is for this reason that the Turkish-American talks on the formulation of a new Defence Co-operation Agreement (DCA) will be crucial. The talks are to start this month in Istanbul, the capital.

Turkey had responded to the embargo by shutting down the U.S. bases and abrogating the DCA. After the lifting of the ban the bases have been permitted to resume their activities and Ankara invited Washington to negotiations on a new DCA. Mr. Ecevit is expected to press the Carter Administration hard for increased military aid and credits as well as U.S. investments of participation in the Turkish armaments industry. The Prime Minister is also expected to put pressure for a higher volume of economic aid. According to Turkish officials the talks, which will put Turkish-American defence relations and the status of the U.S. presence in Turkey on a new plane, are expected to last about a year.

As the continuation of the navy's programme to build landing craft would indicate, the prospects for Turkish-Greek relations are not bright. Both sides appear determined to stick to their guns on Aegean issues. Many Turks, including some working at the general staff, consider the possibility of a confrontation with Greece higher than one with the Soviet Union. The competition between the two states is so stiff that Greece's re-entry into the military wing of NATO will not be easy since Turkey won't accept a return to the status quo ante.

No article on Turkish defence can be complete without mention of the Turkish generals' stance vis-a-vis domestic politics.

The Turkish army revolted in 1960 and staged a coup in 1971 which forced Prime Minister Suleyman Demirel to resign. In between these two there were two unsuccessful attempts to establish military rule. Turkey has been able to preserve its civilian rule because Turkish generals, unlike the majority of their colleagues in the underdeveloped world, don't have political aspirations.

Duty

For the Turkish generals, "looking after democracy" is as much of a duty as guarding the borders. It would be safe to consider it a given factor that when things get out of hand the army will once more exercise its considerable powers to intervene in politics.

No such danger exists now: the top brass is decidedly "non-interventionist" in its tendencies and reportedly not keen at all to burn its fingers as it did in 1971. However, officers are as fed up about political violence as anyone else and they too are feeling the pinch of the sky-rocketing inflation—a potentially very dangerous situation.

If Turkey averts the present economic crisis and social upheaval without going under army rule it will have achieved a unique feat among underdeveloped countries.

M.M.

New class of entrepreneur

THERE IS a whole new class of entrepreneur to be found in Turkey today. Around Denizil in the south-west of the country, in Kayseri in its centre, and in Istanbul, a range of new small companies producing goods ranging from fruit juices to cement, is growing up, owned and run by Turks returning from several years of working in Western Europe, and especially West Germany.

With a high population growth rate, Turkey has traditionally looked westwards to export its surplus labour. The remittances of workers abroad back to Turkey in hard currency have formed a cornerstone of the country's economy. But their actual return when their spell of working abroad is over has always created something of a problem. For the ambition of many a Turkish worker has been to go abroad to earn—and save—as much money as possible in order to be able to set up in business on his own account back in his native country. Yet while his stay abroad may have given him new skills—in car repair, for example, if he has worked in a motor factory—it will not necessarily have given him the management skills to make a success of working for himself.

The numbers who return are not accurately known; in 1974 West Germany, by far the biggest employer of Turkish labour, had 615,000 Turkish workers. By the end of last year, the number was down by about 100,000. But part of that drop is accounted for by women no longer able to work as a result of the more straightened economic atmosphere, and the number of Turks in West Germany overall was little changed. Nonetheless, it is estimated that some 75,000 people may have returned to Turkey in recent years.

Initiative

Their problems in re-integrating socially and economically are well recognised by both the West German and Turkish authorities. To ease them, a pilot programme aimed at instilling additional skills into returning workers was set up by the two governments six years ago. The initiative came from the Ministry of Technical Co-operation in Bonn, which ran industrial fellowships for developing countries, placing people in West German enterprises to teach them technical and managerial skills to provide a basis for working in industry in their own countries.

It was realised that, in the Turkish *Gastarbeiter*, West Germany already had within it a significant number of people ideally placed to benefit from such a programme. So Turks who had some technical or professional qualifications were chosen for courses which, first, brought them up to foremen's level and, second, gave them some management skills.

At the same time a joint special credit fund was established by West Germany and Turkey to provide cheap loans to those seeking to establish their own businesses. A joint consultancy service was planned under which the Turkish workers' business ideas could be scrutinised in West Germany to assess both their innate practicality and their compliance with the demands of the relevant five-year plan. The idea was that the service would give recommendations to the bank holding the special fund about the supply of credit and that, for three years after each worker's return to Turkey, it would keep an eye on his business, acting in effect as a management consultancy.

But the plan foundered as a result of disagreements over practical details and in particular on relations between the state-owned bank involved and the consultancy. The special credit fund continued to grow, reaching DM 8m, but it was effectively frozen. Only some 60 to 70 individuals received technical training, with few able to achieve their ambitions because of the blocking of the fund. In 1975 everything stopped.

Inevitably, Turkish workers' ambitions remained unchanged. Many came back with cars bought in Germany aiming to become taxi drivers; others returned with agricultural machinery which they then contracted out when back in their own villages. Some got together while in West Germany to form companies in Turkey to operate in small-scale industry on their return home. For them, the problem was less financial than managerial, and there were no difficulties about the training side of the Turko-German programme.

So today the scheme has been reactivated. The fund itself has also been re-opened and 90 per cent of its credit disbursed to the new companies. So successful has it proved, indeed, that a new round of talks between Turkey and West Germany started last month on the next steps. One suggestion is that two funds are established, one for individuals and a larger one for companies.

The difficulties relating to aid to individuals remain, especially as a Turk who has found work abroad is already in some senses a privileged person, making it far from easy for a government in financial difficulties to consider giving him more privileges such as cheap credit.

Meanwhile, some 150 to 160 West German-aided enterprises have been set up, with 46 actually in operation and remainder planned or in the process of being established. Some have severe problems, and at least one has already disappeared. Nonetheless, several thousand new jobs have been established in a country desperate for additional sources of employment to alleviate its 20 per cent unemployment rate and provide work for the 600,000 to 700,000 new recruits to the labour force each year.

Projects

As well as fruit juices and cement, the projects involved include plants, animal foods, furniture and plastic bags. Few of them are, in effect, workers' co-operatives, though this was one of the original West German aims when encouragement started to be given to the schemes. The hope was that the shareholders would also be employees of the company but, save in a management capacity this has proved rare.

In a small but significant way the programme has tackled one of the major problems facing returning Turks, at least those who are first generation expatriates. A major problem remains with the reintegration of second generation Turks, the children of the *Gastarbeiter* who have been to school in West Germany and may not be able to write Turkish easily or pronounce Turkish [illegible] correctly.

Their problems, the subject of intensive debate in West Germany, have become acute in part because the West German and Turkish educational systems are so different, with the latter much more [illegible] tional and formal. Thus [illegible] return home with their [illegible] they find their educational qualifications are not recognised, barring them from technical or other forms of [illegible] education in their native [illegible] despite having had [illegible] economic and social aspirations increased by their experience in their adopted country.

The solution may well [illegible] a change of policy towards permanent immigration by [illegible] Germany so that second generation Turks who want to [illegible] there can, but there may be some hope from the [illegible] committee on educational problems set up by West Germany and Turkey last year [illegible] meets every six months.

David Wa[illegible]

The vast problem of rising unemployment

"TURKEY IS a paradise for workers in the midst of the hell which the country is for the millions of unemployed," is how one minister describes the situation.

His graphic remarks unjustly glorify the often-wretched conditions of work; they also fail to indicate how the 2m workers with union-protected contracts are greatly better off than the 4m others outside agriculture yet living close to the bread line in the spreading slums of the cities.

But the minister did correctly bring out the main problem of Turkey's greatest asset — its labour force.

Unemployment is one of the scourges of the country's economy. Official documents euphemistically refer to it as "labour surplus." The Fourth Five-Year Plan estimates the unemployed at 13.9 per cent of the labour force.

But the Prime Minister, Mr. Bulent Ecevit, while in Bonn this spring, put unemployment at 16 per cent and referred to a further 20 per cent as under-employed.

The Minister of Finance puts the unemployed at 20 per cent, while the U.S. Embassy, in its annual labour report, says that 5m is the figure most frequently cited. The Minister of Social Security, presumably in a particularly despairing moment this April, put the number at 7m.

Whatever the precise figure, the problem is clear—the existence of a vast and growing army of the workless. The origins of this lie in the country's embarking on its industrial revolution. As yet, it is still perhaps in its "enclosure period."

The age-old protections ensured by village-scale life are breaking down. The massive scale of internal migration is shown by the way that the share of agricultural employment in total employment has fallen from 77 to 61 per cent in the past 16 years.

Emigrated

However, the safety valve of exporting workers is now virtually closed. Between 1961 and 1974 an average of 58,000 Turks emigrated to the factories of Western Europe each year. Between 1975 and 1977 the average was down to 11,000.

Even if Libya and Saudi Arabia are now taking increasing numbers of Turks, no easy solution is in sight to what the OECD has long suggested is the emergence of a structural unemployment problem.

Yet measures to tackle this crucial problem are hard to find. It is symptomatic that of the 859 pages which the Fourth Five-Year Plan devotes to the future a mere nine pages to consider the labour sector—and three of these nine are merely tables.

For all this, the Ecevit Government is showing more interest in the problem than its predecessors.

Its programme promises to extend labour rights and social insurance coverage to all wage earners; to enact a law to regulate the workers' right to designate the trade union to represent them; to extend the protective provisions of the Labour Law to all working people; to make "democratic arrangements for the organisation of civil servants" (who are now forbidden to join unions); to enact a law covering agricultural workers; to protect seasonal workers, domestic employees, children and women; progressively to introduce unemployment insurance; to protect and give voting rights to Turks working abroad, and to prevent the abuse of lock-out.

It is an ambitious programme, made the harder to introduce by the imposed need for budgetary austerity and problems in the Ministry of Labour. The new minister, "Baba" Bahir Ersoy, a former textile worker and trade union leader, had to use his first few months to restructure the Ministry and replace political appointees made by the previous coalition by professional civil servants with experience in labour matters.

His public statements have emphasised the need for solving industrial problems through the joint efforts of workers, employers and the Government. He has himself acted as conciliator in several disputes but his major move so far has been the agreeing of a "Social Understanding" with Turk Is, the larger of the two labour confederations.

The need for some recasting of the present framework is stressed by industrialists who have long complained that labour is one of their main problems. Though the bulk of the labour force which works in small production units is unprotected by collective union agreements, the unionised labour force is increasingly flexing its muscles.

Last winter saw the largest strike in recent Turkish history when 27.5m manhours were lost in the drawn-out battle between the metal-workers union, Maden-Is (affiliated to DISK, the Revolutionary Workers' Confederation) and the employers association, MESS (supporting TISK, the Turkish Employers' Association). Official figures understate the amount of strikes but are indicative of the relative importance of strikes in each year: they record the days lost in the years 1973-77 as 0.7m, 1.1m, 0.7m, 0.3m and 1.4m.

While MESS argues that it established the important principle of group bargaining rather than the site-by-site approach fought for by Maden-Is, the underlying trend in labour negotiations is hardly favourable for employers. They are being obliged to accept as outmoded minima the bonuses and benefits which the public sector must treat as maxima.

Equally, the level of settlements in some sectors, in particular petroleum and tyre production, has soared. Severance pay requirements are such that one U.S. businessman notes that his current labour indemnity obligations exceed total stockholders' equity by 30 per cent, according to the latest U.S. Embassy Annual Labour Report.

Of the two labour confederations, Turk Is is the older and its membership about double the over 400,000 claimed by DISK. Turk Is has tended to reflect the U.S. help it had in its origins, usually staying outside party politics and faithfully following the fifth of its 24 principles, that it should seek to weld society together rather than to stimulate class struggle.

Only in the past year has its president, Senator Halil Tunc, tended to lean towards the party of Mr. Ecevit, in particular since autumn, 1977. Then it favoured a coalition of the two main parties and since then it has welcomed the advent of the Ecevit Government.

It followed a reserved position when the present Government extended the austerity measures began by its predecessors. It has called for the introduction of effective price and rent controls.

Turk Is has as its members the bulk of the workforce in the State Economic Enterprises. With collective bargaining for 470,000 workers being due and mounting labour costs being a crucial element in the yawning deficits of the SEE the Government has devoted considerable attention to wooing Turk Is. Its efforts were crowned with some success when the Social Understanding was signed on July 20. The Understanding stipulates

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The plight of emigrant workers

YEARS after the West Government imposed a further recruitment of workers in the wake of crisis, the policy of re-g the employment of ers from non-EEC coun-as reconfirmed in Bonn. ording to Herr Reinhard ke, State Secretary in the al Labour Ministry, it does nly accept the reality of a million people being work in Germany, but erves the interests of the led "guest workers" in the ry.

is the Government's aim," Strehlke said, "to cope ately with the problem of rating foreign workers and families and, among other s, of keeping the number nemployed foreigners as s possible."

...jective

egration of foreign work-nto the German society has the Government's declared ctive since boom times, if only for the duration heir stay here. Between and 1973 more than 2.5m kers from the under-eloped regions of Europe amed to the "economic acle country."

hen their total dropped to und 1.8m in the years after her entry had been barred. ertheless the number of ks (by far the largest group foreign workers) remained re or less unchanged at just er 500,000.

The Turks know that, as non-C citizens, having left the untry, they would not be lowed to return. As a con-quence of their now prolonged ay, their wives and families ave been coming in to an in-reased degree, swelling the urkish population in the ederal Republic to more than 2m.

Many of the Turks who first ame subscribed to the idea of traditional Turkish-German iendship, remembering the les of their grandfathers who ad fought side by side with e Germans in World War ne. Little did they know that e Germans would soon brand em the least likeable of reign workers — if one were believe a public opinion poll f a few years ago.

The fears and bushy ustaches of the men, the shawls and baggy trousers of the women, the smell of garlic and mutton, their refusal to drink alcohol or eat anything likely to infringe Muslim law, seemed alien and suspect to the average German. This, and their inability to speak the language, tended to drive them into isolation.

Thus, most of the Turks live in ghettos of big cities under appalling conditions. Complete districts, such as Kreuzberg and Wedding in Berlin, have become "little Turkeys." And only a few elderly Germans have stayed. So the houses are crumbling — they have no bathrooms and often no kitchens. Ten people to a small room is by no means rare.

The same applies to areas in Cologne, the big cities of the Ruhr valley, Frankfurt and Munich, where Turks are huddling together in tight groups.

Landlords often demand shocking rents for tiny rooms without warm water or heating. Bathrooms and kitchens have to be shared by as many as 15 families. Frequently, employers accommodate whole families in empty factory halls or even in former army barracks.

Before the recruitment ban, any housing was good enough for the foreigners. The Germans liked to argue that the Turks "are not used to anything better at home," perhaps thinking of mud huts in Eastern Anatolia.

The Turks themselves prefer to save as much money as possible to send home or to start a business in Turkey on their return. While, in 1977, they transferred more than DM 2m to Turkey (a little less than in 1973) their savings in German banks, the so-called "Turkish treasure," are estimated at more than DM 4bn.

However, with the arrival of wives and children in great numbers, problems multiplied. The birth rate (extremely high in the case of the Turks) rose and the German authorities — declining to stop the inflow of Turkish dependents on the grounds that such action would be inhumane — started to demand "adequate living space" as a condition for a residence permit, apart from a job contract of at least one member of the family.

Although the Germans are not keen on the menial jobs done by Turks (in some cities garbage removal would come to a standstill, if the Turks left), unemployment may well present a real threat of expulsion. At 4.5 per cent of the Turkish labour force in August, it was slightly higher than that of the German working population as a whole.

When a Turkish worker becomes redundant, he is to some extent at the mercy of the authorities which have discretion in renewing his permit. He can stay and exhaust his unemployment benefit for up to two years, but then is likely to lose his permit, and if a job coveted by a German becomes vacant, it tends to go to the German.

Only after living and working in Germany for five uninterrupted years, can a Turkish worker feel relatively safe. He can then apply for a special work permit, which enables him to find a job without going through the official employment service.

After eight years, if his German is fluent, and if he has a flat and sends his children to school, he can acquire a kind of "second-class citizenship" in the form of permanent residence and work permit.

Schools

One-third of the Turks have lived in Germany for longer than six years. Since the duration of their stay is expected to extend rather than decline, the Government is now facing a problem which has so far not really aroused public interest. It was the Federal President, Herr Walter Scheel, who recently drew attention to one group of foreigners whose plight is the worst and appealed to his compatriots "to give this group a chance of a decent future."

President Scheel was referring to the more than 1m foreign children here, 350,000 of whom are Turkish and whose situation is appalling. One German newspaper of repute describes their lot as "misery of the second and third generation." Experts in the Education and Labour Ministeries are speaking of a "social time bomb" unless something is done about these children.

The Turkish children especially are confused by the discrepancy between their rather medieval home life, where the father strictly rules the family, and the bewildering leniency and different values of German society. Only about 15 per cent of the Turkish children go to kindergarten, and in Baden-Wuerttemberg, for instance, one foreign child in three does not go to school. Girls often remain at home to look after younger brothers and sisters while the mother goes to work. Frequently the parents do not even know that schooling is mandatory in Germany.

Only 35 per cent of the 500,000 foreign children now attending German primary schools complete the course and only about one "guest worker" child in a hundred goes to higher education. The main stumbling block is language. Unable to understand anything, Turkish children attend normal German classes taught by teacher untrained for such an emergency. And even teachers of their own nationality drill them in preparatory courses for subsequent German schooling—courses which numerous schools have initiated—the result is often, in the words of a Turkish parent committee, that "our children are becoming *illiterate in two languages*."

An additional nuisance—in the eyes of German teachers—is the Koran school which has been established in all larger German cities. In Duisburg on the Ruhr, for instance, between 50 and 80 per cent of the Turkish pupils put in an extra three hours at these schools, where hodshas teach hatred against anything going against the Koran, using the rod, if necessary, to hammer the message home.

When Koran school is over, the children are often too exhausted to do any homework for the German school.

The tragedy is that what started at school continues afterwards: the rate of unemployment among young foreigners is four times as high as that of German youth. In his speech urging help for the foreign children, president Scheel said: "There are already 110,000 young foreigners here without professional training. Each year there are more. The vision—that in a few years there will be a million foreigners here, without job training, without work, without language proficiency, outsiders in a society which has never given them a chance, full of hatred against this society—this, unfortunately, has a very real meaning."

Although the Government has yet to develop a realistic, future-orientated concept to improve the educational chances of *guester* worker children—the only thing that could really lead to a change—it should be noted that more than 150 German organisations are trying to stop a whole generation falling into a social abyss, among them the political parties, the churches, the trade unions and many welfare organisations.

Last month, Herbert Ehrenberg, the Federal Labour Minister, promised some financial assistance to the Turks in Germany. DM10m will be spent to ensure the language training of Turkish children, and DM1.5m were granted to set up information offices to advise their parents on the intricacies of German life.

The question is—will this be enough?

Elgin Schroeder

The Turkish population in West Germany is now more than 1.2m and the Turks are by far the largest group of foreign workers in the Federal Republic. The Turkish trainees (above) are working with a Berlin clothing company

Unemployment

CONTINUED FROM PREVIOUS PAGE

that real wages will not fall below their 1978 level, and to an extent, pegs them at that level. At the time, Mr. Tunc said that workers should sacrifice when the interests of the nation are at stake but stressed his trust in the Government for its taking "courageous steps" and putting more importance on the labour sector than all its predecessors.

However, in exchange for some limitation on wages the Understanding promises, in fact, new safeguards for workers against lockout and mass layoffs. It is an important step towards involving workers in the management of enterprises. And it involves the unions more deeply in the process of policy making.

Labour experts such as Prof. Ekmel Zadil of Istanbul University welcomed the Understanding with high hopes that it will help reduce unemployment and reduce wage-push inflation. But the employers have been reserved—in part because they were not consulted and in part because moves to worker participation strike some employers as tantamount to Marxism.

But the most heated criticism has come from the radical labour confederation, DISK. "A document of betrayal," commented its Secretary General, Fehmi Isiklar. As for the special DISK meeting held in Oren from August 1-4, this concluded: "In reality the agreement signifies a wage freeze. Rights that have been achieved are rendered ineffective, the right to strike and free collective bargaining are threatened."

DISK is, in fact, a very different animal from Turk Is. It believes in class unionism and the "anti-fascist, anti-imperialist democratic struggle." It takes clear political positions on such matters as urging Turkey's withdrawal from NATO and the abolition of the laws used to ban the Communist Party of Turkey. Moreover since its members are mainly in private industry it is more important than Turk IS for the employers.

In 1977, it threw all its weight behind the campaign for Mr. Ecevit. Today its relations with the Government are uneven. It came into open conflict over the two-hour strike it called on March 20 and its rejection of attempts to involve it in the Social Understanding led to a further cooling of relations.

Yet its leaders support Mr. Ecevit. Its President, Abdullah Basturk, does so "with conditions," insisting on steps, for instance, to reduce the working week to five days and to "disperse the fascist dens and ensure security of life and education." But his main opponent, his predecessor Kemal Turkler, supports the Government "without conditions," as for him the alternative to the present Government is a fascist government.

Ironically, it was only with the help of supporters of Mr. Ecevit that Mr. Turkler was displaced. At the time it seemed possible that the displacement of Mr. Turkler who had pro-communist support might lead to a change of line. But this has scarcely happened. Indeed, DISK's May Day rally was marked by demands for the legalisation of the Communist Party of Turkey, the only one in a NATO country still to be banned.

Still, for all the battles between Turk Is and DISK over who represents the Turkish worker and which policies should be followed, on one matter the two confederations are agreed. At the end of last month they announced that they would put their differences in ideology and aims aside in order to democratically fight anarchy.

D. T.

Relations with the West

"I OFTEN think the West regards us Turks much as Caliban was regarded by Prospero in *The Tempest*," a Turkish friend, much travelled in the West, observed to me not long ago. It is a sad comment on a quarter of a century during which Turkey has usually been taken for granted as a staunch member of the Western Alliance that views like this are now widespread in the country.

On the face of it there are no obvious reasons why the West's relations with Turkey should be more tense than those with (say) Spain. Turkey has been a player in the European political and diplomatic game for half a millenium. It has opted for specifically Western institutions: a parliamentary democracy, a mixed economy, eventual membership of the EEC. It remains a key member of two Western military alliances.

In addition, the last three decades have seen the human and social links between Turkey and the West multiplying. Before 1950 the number of Turks who lived in the West was negligible and confined to an aristocratic coterie. Today most large European cities have substantial communities of Turkish workers, restaurateurs, tourists and—perhaps most significant in the long run—students. Conversely, many Western Europeans have visited Turkey, formed friendships with Turks, and not a few have developed the habit of spending holidays there regularly.

It is puzzling, therefore, to find that, despite all these affinities and connections, there is a real crisis in Turkey's relations with the West and one which goes very deep. Turkish views of the West are coloured by bitterness, a certain self-doubt, and a strong sense of rejection and isolation. There is a constant search—and not only by the political Left—for alternatives to the Western connection, perhaps in the Third World, the Islamic Middle East, or even the Eastern Bloc.

Crisis

The seriousness of this crisis can easily be underestimated. It is not, as perhaps some observers from a distance might imagine, a straightforward reaction to the aftermath of the 1974 invasion of Cyprus. This had some part, it is true, in strengthening the perception by many Turks of their country's isolation. But most Turks are fully aware that, because of Turkey's importance as a military ally, the Western world has been if anything more sympathetic to them in their disputes with the Greeks and in Cyprus than have the countries of the developing world or the Arab Middle East.

Turkish rethinking of the country's relationship with the West goes back to at least a decade before 1974. Its practical consequences are already discernible in the foreign policies of the right-wing Turkish Governments at the end of the 1960s. The connection with underlying changes in society in Turkey is also clear. The middle-class educated groups who a generation ago made up the backbone of Ataturk's support and made his westernising reforms possible increasingly doubt whether or not it is worth clinging to Ataturk's goal of trying to win eventual acceptance for Turkey as an equal and respected partner among the European nations. This is the message they are passing on to an ever-larger segment of the lower classes which has become politically active and aware.

Diplomats and journalists tend to fight shy of historical explanations of current problems. But the stresses on Turkey's relations with the West today can be traced back, through different routes, to the country's awkward legacy as a post-imperial power in the Near East. For Turks the whole problem is largely encapsulated in memories of how the Ottoman Empire was finally brought down by a combination of economic penetration by the Western powers and the spread of nationalism (also a Western export) among its subject peoples. Two themes, already discernible at the end of the last century, are still essential for the understanding of Turkey's attitude towards the West.

The more important of these two themes is the absorption into the Western liberal tradition, and thus into much of the West's mass media, of the hostility felt by the minority populations of the Empire towards their Ottoman Turkish rulers. It is a hostility which has at times caused Western liberals to betray their own standards of common humanity, or even to become infected by racial prejudice. Gladstone's adage that the Turks should be expelled from Europe "bag and baggage" was hardly the most humane answer to an enduring problem — finding a political settlement in an area of mixed populations and conflicting nationalisms.

Turcophobia of Gladstone's kind has never entirely died out in the West, perhaps because its existence has never been entirely admitted. But as any foreigner living in Turkey knows, the country's press continues to scan the world's newspapers for any manifestation of interest in the Turks. Favourable comments excite an embarrassing, indeed slightly pathetic, enthusiasm, hostile remarks are brooded over and only slowly forgotten. Even the wildest anti-Turkish Armenian polemic gets extended publicity.

By no means all the complaints voiced inside Turkey at the portrayal of the country in the West are unreasonable.

If it had dealt with Jews or Blacks, the film *Midnight Express* which this autumn was offering a lurid account of the ordeal of an American drug-smuggler in a Turkish goal would probably not have been favourably reviewed by both the *Daily Telegraph* and the *Morning Star*.

Much of Turkey's isolation, however, simply reflects the fact that Turks, and especially Turkish official bodies, have not yet learnt how to enter a dialogue with the Western media. Turkish officialdom often appears hopelessly out of touch with the Western world of the late twentieth century. Private individuals in Turkey are not encouraged to form media lobby groups.

Overseas press offices are generally dormant, their efforts being confined to issuing official texts translated into a weird bureaucratic English and relaying home the contents of the West press.

The second major theme involved in Turkey's international isolation is to be seen in any glossy advertisement for major international banking or finance corporations. Turkish schoolchildren often scan the lists of "major world financial centres" in such advertisements, vainly hoping to find Ankara or Istanbul mentioned. Their disappointment stems directly from the autarchic economic policies which have generally predominated in Turkey this century. Rightly or wrongly (and most Turkish opinion still h[...]t it is rightly) Turkey has always been resistant to the [...] businessman and inve[...]. It has always been made [...]ately difficult for forei[...] to live or work in the coun[...]. One unintended result of thi[...]mic nationalism is t[...] characteristic foreigner [...] in Turkey, until at lea[...] recently, was a U.S. serv[...] on a base or a project e[...] on a contract. The contra[...] Greece, whose relation[...] the West are mediated [...] only large colonies [...]patriates overseas, but [...] large foreign community [...] soil, is obvious. In Tu[...] despite the reluctance of [...] all Turks to admit it—di[...] is suspect and the [...] foreigner is viewed as t[...] to the nineteenth c[...] Levantine trading commu[...]

These prejudices ha[...] some extent been kept [...] among the Turkish Left. [...] capital is seen as a tenta[...] a Western imperialism [...] on preventing Turkey [...] achieving economic inde[...]ence. Much of the Tu[...] political right as well as [...] left, in an ideal world [...] prefer Turkey to opera[...] siege economy and drea[...] the country industrialising [...] decade or two behind [...] shelter of tariff barriers. [...] obverse side of this anta[...] attitude is a guilty pa[...] shared by the Turkish m[...] and lower classes alike [...] Westerner consumer goods [...] matter how trivial or tast[...]

But times are chang[...] There are substantial sect[...] of the population in Turkey [...] now know the West better [...] can place its strengths [...] limitations in perspec[...] Realisation that Turkey ca[...] develop its economy inside [...] tolerable period without [...] transfer of resources [...] abroad is growing. Ironical[...] Mr. Ecevit's supposedly "[...] of-centre" Government [...] shown itself more recep[...] both to Western ways of thi[...]ing and the well-intention[...] private foreign investor than [...] right-wing predecessor.

As yet, however, there is [...] doubt that the major curre[...] in culture, politics, and soci[...] are sweeping Turkey away fr[...] the West. Unless percepti[...] that the West is running so[...] political and economic blocka[...] on Turkey can be changed the[...] is always the possibility th[...] in the long run Turkey's futu[...] will lie outside Europe; urge[...] initiatives are needed on bo[...] sides. But, given the risi[...] generation of Turkish scientis[...] economists, and academi[...] educated in the West, the[...] must be at least some hope th[...] this final rift will not happen.

Thomas Faulkne[...]

Taking planning seriously

"A SHIP needs a compass and a country needs a plan." This statement by Mr. Sakip Sabanci, the industrialist who presides over the Union of Chambers of Industry, is evidence of how the business community accepts the idea of some central planning of the economy. But Mr. Sabanci, like other industrialists, criticises the small print in the Fourth Five-Year Plan. The 8 per cent target set for annual growth rate of GNP in the period 1979-83 is seen as over-ambitious. Equally serious, he considers, is the lack of attention given to the financing required by the plan, to supplying the technical manpower necessary and to the overall manpower implications of the plan.

Because of economic problems the Government expects the initial rate of growth to be lower than the average, 6.8 per cent, rising to 8.5 per cent by the last two years of the plan period. This overall target is higher than the 6.8 per cent average annual GNP increase achieved in the years 1963-77 but could conceivably be attainable on two conditions—that major economic crises of the sort seen twice in the last 15 years are avoided and that the necessary finance and savings can be secured.

But this last point, like the labour implications of planning, has consistently been given inadequate consideration by the authorities—omissions all the more glaring given that the troubles in these two sectors are the most grave elements of the present crisis.

Throughout the planned period three main sources of the funds necessary to finance investment have been identified—foreign income, savings in the public sector and an increased savings rate by the private sector.

Forecasts

All three have regularly fallen short of planners' forecasts. In the first period, 1963-67, for instance, the inflow of foreign capital did not reach an average of 3.5 per cent of GNP, as foreseen by planners, but only 1.8 per cent.

Then the incremental capital-output ratio fell sharply, meaning that despite the aid shortfalls it was still possible to meet gross output targets. The continuing problem, however, has been how to obtain savings in the public sector. In fiscal 1977, for example, the net borrowing requirement of the public sector was TL 77bn, the equivalent of 9 per cent of GNP.

As a percentage of GNP, savings have never come up to planners' targets. In the 1973-1977 period the aim was for total savings to increase by 13.6 per cent annually. In fact they grew by an average of 6.3 per cent annually. Their shares in GNP averaged 19 per cent, instead of the 23.3 per cent laid down in the plan. As for the marginal savings rate—that crucial measurement of what share of income increases is saved—this was well under half the 38 per cent target. Now the Fourth Five-Year Plan sets a target marginal savings rate of 35 per cent but it is doubtful whether any country in Turkey's position can realistically expect its people to spend less than two-thirds of their income increases.

Employment is now one of the crucial problems in the country. Officially unemployment totals some 15 per cent of the labour force and under-employment is almost as severe: together the two mean the total effective unemployment is around 25 per cent. Yet one of the striking omissions from all planning documents is any study of the manpower implications of the sectoral planning they involve.

Unhappy

The Fourth Five-Year Plan continues this unhappy tradition. It sets the overall target of reducing unemployment outside agriculture from 1.6m to 1.1m during the plan period. But the first of these figures seems to be a serious understatement and the second to be wishful thinking.

The OECD long ago talked of the "threat of serious structural unemployment over the medium and longer run." The massive population shift towards the cities; the large numbers of young entering the work force; the increasing number of women seeking work; the reduction in emigration abroad; the destruction of much of the artisan-scale production; and the increasingly capital-intensive nature of the new plants—all these mean that the increase in the labour force is bound to continue to exceed the number of new jobs.

The failure to tackle such problems is the more striking given that planning is no new flower in Turkey. The country's first planning attempt went into effect in 1934 and aimed merely to stimulate industrial development through state investments and to make the best use of the then Soviet credits. A second plan had to be shelved because of the Second World War and a third plan abandoned because of the anti-etatist mood when the U.S. first moved in under the Truman doctrine after the war.

It was not until the military revolution of 1960 had overthrown the increasingly autocratic rule of Adnan Menderes and of his free-enterprise Democratic Party that planning was re-introduced. A State Planning Organisation was set up and plans required both as an antidote to the economic confusion of the late 1950s and in an attempt to ensure a more rapid development of the country through stimulating industry. Arguably planning has had some success in bringing cohesion to economic thinking but its results have been offset by a series of economic and political crises and the effects of a consistently overvalued lira. Moreover, economic progress has been achieved "without any significant impact on social and political structures," to quote a study for the University of Durham.

This study also cited a remark by the economist Sir Arthur Lewis that "Making development plans is the most popular activity of the governments of underdeveloped countries since the war, and is simply also nearly their biggest failure." In Turkey the SPO makes use of simple growth models, macro-analysis and sectoral breakdowns. The plans are indicative for the private sector and mandatory for the large public sector.

At first sight they have been successful in that the gross target of a 7 per cent annual increase in GNP has been virtually met: the actual outturn between 1963 and 1977 was an annual 6.8 per cent. But the

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Agricultural potential remains high

AGRICULTURE IS Turkey's largest single industry; it accounts for 60 per cent of the country's exports and some 23 per cent of its gross domestic product.

Significantly, the major part of the boost to exports which Turkey has seen in the past few months—a 30 per cent rise in cash terms—following the clampdown on imports and the drive to obtain more foreign exchange has come largely from agriculture. And it is agricultural products which have figured predominately in the series of bilateral deals the country has been concluding in its bid both to conserve hard currency and assure its basic import requirements.

Thus Turkey claims to have taken care of its crude oil needs through to the end of next year in a series of deals with the Soviet Union, Iraq, Libya and Iran in which, though manufactured goods do figure, the predominant products being exchanged are agricultural, especially wheat (where there was a record harvest last year) and, to a lesser extent, barley, citrus fruits, peas, meat and live animals.

Arrangements

Such arrangements — not barter deals, the Turks insist with more than half an eye to the IMF's strictures on such contracts, but ordinary commercial transactions passing through the normal banking system—have not been limited to country to country arrangements. In the private sector, the problems of the TOFAS company's $50m car components debts to its majority shareholder, Fiat, as a result of which Fiat cut shipments by a third, were alleviated after tough bargaining between Fiat and its major Turkish partner, the Koc Group through a deal under which Fiat took $100m worth of wheat, with half the proceeds going to the Turkish Government to replenish its dwindling foreign exchange coffers.

In total, claims Prime Minister Bulent Ecevit, trade agreements made in the first nine months of the year have assured sales for every agricultural product Turkey has except tobacco, tea and opium pods.

Overall, Turkey is one of the few countries in the world that can feed itself and in good years have some to spare. At the same time, it is an important producer of industrial crops—cotton, sugar beet, tobacco—as well as of oil seeds, olives, hazelnuts and tea.

Diminishing

Yet agriculture's place in the Turkish economy has been diminishing; the rapid pace of industrialisation has reduced its share in the GDP from 38 per cent in 1963 to two-thirds that today and the great balance of state investment has been in industry, not agriculture.

At the same time, successive Government policies toward agriculture were geared more to political needs than economic ones: support prices rose substantially each year as a matter of course, but were announced after crop sowing had taken place, thus doing little or nothing to affect the pattern of land use. And, despite agriculture's export success, industry *took first place* in national planning.

The reasons for this are clear enough. For, with agricultural mechanisation—the number of tractors, for example, is now estimated at 400,000 or more, at least 18 per cent up on 1970, and private investment in agriculture has been extensive—the drift from the land has been considerable, even though more than 50 per cent of the labour force is dependent on agriculture.

That combined with the fruits of a historically high birth rate in the form of the addition of 600,000 or so people to the labour market every year would have made the creation of more industrial jobs essential even in a heavily industrialised economy; what needs to be remembered about Turkey's rapid industrialisation over the past decade or so is that it started from a very low base indeed and took place within a consumer goods hungry market.

Nonetheless, the end result is that Turkey's agricultural potential is still nowhere near being realised. On the one hand, the marketing of its products is often not up to world standards: it lags behind, for example, in packaging and grading. On the other, agricultural productivity is low—less than a fifth of that in industry even though it has been improving relatively rapidly thanks to the shrinking agricultural labour force—and a significant proportion of land—55 per cent in rain-fed areas, according to one estimate—is used for crops which are not the most appropriate for it.

Land erosion is also a problem: 54 per cent of the total land area is said to be subject to erosion, 17 per cent of it very severely. On top of this are additional difficulties over land quality. In the past 50 years, the total crop area has more than tripled, but in the last few years more and more infertile land, often village common lands and state-owned land formerly used for grazing, has been added to the arable total as the possibilities have become exhausted.

On the plus side, apart from mechanisation, there has been a heavy increase in fertiliser use, with the domestic fertiliser industry now producing around 6m to 7m tons a year (though *there is little production* of compound fertilisers, but this too, is increasing and fertiliser imports are substantial) and a series of substantial irrigation projects as well as a greater emphasis on pest control.

Aware

Where much of the effort has fallen down is in the back-up services and through a lack of *co-ordination between the* various bodies responsible for large-scale projects. Thus, on irrigation, responsibility is split between three state bodies whose co-ordination is undoubtedly inadequate and whose planning is criticised as deficient. In consequence, the results obtained have been disappointing. Agricultural credit facilities are likewise split between different bodies, each with different interest rates and conditions, duplicating efforts on this side.

Overall, bureaucracy, blamed for so many problems in other spheres of Turkey's financial affairs, is criticised generally in the agricultural sector: decision-making is said to be too centralised with too weak a regional organisation, so that farmers have little confidence in the state agencies.

There are signs that the new Government is at least aware of some of the problems: it has, for example, greatly reduced the rate of rise in support prices which was beginning to affect competitiveness in world markets, and has started announcing them before planting. For the first time, says Mr. Ecevit, "we have approached production planning in agriculture: what to grow where, and in what amount, with a view to export possibilities."

Faster

The need for this is apparent from a recent, unpublished, World Bank report on Turkish agriculture. That points out that demand for meat and dairy products inside Turkey is increasing faster than production, with imports likely to be necessary in those traditionally self-sufficient or exporting sectors. With nuts and fruit, too, home demand is growing faster than output.

The upshot on present trends, according to the World Bank, is that there are grounds for concern about the livestock sector, operating at only 15 per cent of potential productivity. And overall, there are serious grounds for worry about the world market position, with Turkey seeing an increase in the export availability of relatively low-value items and a decrease in her surplus of high-value products alongside a need to *import some of those.* On top of this, the sectors which look like becoming increasingly important in the export mix in the future, such as wheat, sugar, and potatoes, are commodities the world markets for which are highly variable.

Yet, with all these problems, present and looming, the potential for agriculture remains high, if only because the low rate of present productivity levels allows plenty of room for future manoeuvring to head off prospective bottlenecks.

As well as being internal, in terms of better use and organisation of land, some of that manoeuvring will have to be directed toward opening up new markets. For agriculture has been a major subject in Turkey's wranglings with the EEC, with Turkey complaining that it receives no benefit from its association agreement with the Community as far as *agricultural products are concerned.* And it seems clear that with the forthcoming accession of Spain, Portugal and Greece to the Common Market the scope for Turkey to increase its agricultural sales there will be limited.

Thus, it is significant that the bilateral deals have, with the exception of the Fiat arrangement, been with Turkey's other neighbours. It is in that direction, and especially with the Middle East countries that are unable to feed themselves, that the future would seem to lie. The one certainty is that, even though the fourth five-year plan aims to boost mineral and industrial exports to 60 per cent of Turkey's total, it will be a long time, if at all, before the dependence on agriculture to bring in valuable foreign exchange goes. And overall the question must be whether the balance of official emphasis between agriculture and industry has been got right, or whether agriculture should be receiving a far greater share of attention than has traditionally been its fate.

D.W.

AGRICULTURAL PRODUCTION

	1976	1977	1978†
		('000 tonnes)	
Wheat	14,850	14,985	14,700
Barley	4,900	4,750	5,000
Maize	1,310	1,135	1,300
Pulses	752	809	865
Cotton	475	600	600
Tobacco	314	254	230
Sugar Beets	9,400	9,100	9,600
Sun flower	550	457	550
Cotton Seed	760	960	960
Potatoes	2,850	2,670	2,900
Hazelnuts	243	273	260
Olives	1,097	650	900
Tea	301	300	300

† Forecast.

Source: T.ssei

Planning

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initial targets were met even though the first plan was scarcely being implemented and despite the weakness in its drafting; little thought had been given, for instance, to its capital requirements. More important, planning has failed to ensure the sectoral results required. The crucial sectors of agriculture and manufacturing industry have failed to develop at the rates sought while lower-priority areas such as housing and services have grown faster than the plan desired.

Further, plans have been too inflexible to absorb the occasional windfall, in particular the surge in workers' remittance in the late 1960s: these apart from fuelling inflation, had one further undesirable side-effect in that they gave the economy leeway to slip out from the "straitjacket" of the plans. Furthermore, there has been a tendency for the gaps to increase between the higher-income groups and the poor, as well as between the developed west of the country and the backward east.

One reason for all this lies in the institutions involved. The 1961 Constitution set out to make planning independent of the vagaries of politics and to make the SPO one of the more powerful institutions of State. But by 1964 the Justice Party, wearing the free-enterprise mantle of Menderes, was in power. Through the 1960s and in particular after 1975 with the factious coalition Governments of the two Nationalist Fronts headed by Mr. Suleyman Demirel Governments began to override the SPO. The nadir of this process came a year ago when so chaotic was the preparation of the 1978 Programme and of the now-superseded 1978-82 Plan that the SPO hardly saw the completed document.

Secret

Even after it was prepared it remained virtually a State secret, giving rise to one newspaper's appeal: "Nobody has seen your face, anxiety is mounting over your fate. Please report your whereabouts. We will forgive you."

A second problem has been a corollary of the attitudes which have allowed this decline in the prestige of the SPO, namely that the tools to implement the plans have been inadequate. Attempts to direct investments by directing bank credits have foundered because monetary policies such as credit rationing and the preferential interest rates accorded by the Government to certain favoured fields have simply not achieved the results intended.

While the private sector has treated the plans as mere documents the state sector, theoretically bound by the plans, has rarely been sufficiently well run to ensure that that theory becomes practice.

But the third problem has been the plans themselves. In *an atmosphere where the* Justice Party has not put its heart behind the plans, rigorous analysis to ensure the preparation of the necessary measures to make a reality of the plans have not been included in them. Land reform remains unrealised. The industrialisation of the country has been based on simple theories of import substitution rather than more aggressive policies. Major investment projects have lagged years behind schedule. Only now are some first steps to go beyond this being taken.

But none the less the plans have changed matters. The radical unions may dismiss them as "capitalist" but they have raised the level of debate about the economy. An attempt to ensure consistency between the different plans of the government has occurred and the second and especially the subsequent plans seek to prepare for Turkey's tightening its relationship with the EEC—though at the expense of being dominated by the concept of "industrialisation at any cost" so as to enable competition within the Community.

Also, through the plans both industrialists and university professors have been involved with the government in debating the method by which Turkey can achieve its development—the need for which is about the only thread uniting all Turks. As for the future it perhaps augurs well that the present government, the heirs to Kemal Ataturk's etatist tradition and the continuation of the party which introduced planning 44 years ago, is not only taking planning seriously but is seeking to involve both unions and industrialists in the process of preparing and sophisticating the plan. Which is one good omen for the future.

D.T.

Energy gap a severe barrier to progress

OFFICIALS CALL them programmed cuts. The fact is that the blackouts which regularly affect life, whether domestic or industrial, are symptoms of yet another of Turkey's ills: a serious imbalance between the demand and supply of energy.

In many ways, the energy gap is one of Turkey's most fundamental problems, affecting its chances of economic growth. Like many other developing countries, Turkey, a minor oil producer, was badly hit by the rise in oil prices after the 1973 Arab-Israeli war. As a result, the proportion of oil imports as part of total has risen damagingly. In 1972 they cost a mere $124m and constituted 7.9 per cent of imports. Last year they cost $1.15bn and accounted for 19.9 per cent of imports. This year they will cost $1.2bn (reflecting a slow down in industrial activity, partially the result of the lack of foreign exchange to buy crude oil). This represents a modest increase compared with previous years, but nevertheless oil imports will represent almost one quarter of all Turkey's purchases from abroad.

Domestic

Turkey suffers also from the fact that its main areas of producing energy, particularly oil, are in the east, far away from the main population and industrial centres in the west.

At the same time, domestic crude oil production has — under the burdens of rapid industrialisation and urbanisation — become less and less unable to match consumption.

In 1970 Turkish oil was providing half of the country's needs. Last year it was down to 19 per cent. But here, too, the government finds itself caught between economic and political constraints. Oil prices have been raised twice, last September and this. Thus premium petrol now costs 11.70 Turkish lira (about 24p) per litre, and regular 8.50 TL (about 18p), still rated by many to be too low a price to curb wasteful consumption. The cost of diesel fuel was simultaneously cut by one quarter to lessen the impact on industry and transport. Nevertheless, Mr. Suleiman Demirel, the Opposition leader, made the inevitable and relevant point in accusing the government of being "the architect of inflation."

In the long term Turkey is relying on lignite (brown coal) and water resources to counter the gradual reduction in its reliance on oil. A new mining law has been passed, ostensibly to open the way for the government to take over some of the open-cast lignite mines of the private sector and to link them more conveniently with thet government-dominated energy-generating sector. There are also major plans afoot for harnessing hydro-electric power. But the main projects are generally some two years behind because of the lack of foreign exchange. Beyond these plans there are distant aspirations about nuclear and solar power.

Shortages

In the short term, however, Turkey is faced with acute and mounting energy shortages. Programmed cuts of elecricty have been reduced this year, according to the State Planning Office (SPO), from four or five hours a day across the country to two. But in 1977 the shortfall in electrical power was 637 Gwh (Gwh=1m kWh) and this is likely to rise, according to the SPO to 900 Gwh this year.

The five-year plan—1979-83—is not that encouraging, for rather than concentrating on exploitation of Turkey's considerable existing natural resources, the emphasis is still more on quantifying these assets.

As in other sectors of the economy, Turkey is acutely hampered by lack of foreign exchange. Consequently, it has to break a difficult chain of linked problems. Dependence on oil will only be reduced when investment in other energy sources is increased. But in the first eight months of this year investment in the energy sector (this covers coal, transmission lines, power plants, electrification systems and nuclear power as well as oil) totalled 13.1bnTL. This amounted to 33.1 per cent of total allocations to energy for the whole year, which is itself below the average of 38 per cent of investment in all sectors allocated. The conclusion must be that official hopes that Turkey will be approaching self-sufficiency in energy—let alone have a comfortable reserve—by the mid-1980s are probably not attainable if present trends continue.

So far, the country has not been overly successful in altering the pattern of its energy sources. In 1960 wood accounted for just over one-third of energy resources, followed by oil, coal and dung with roughly one-fifth each. By 1977, oil produced 44.7 per cent of power, followed by wood (13 per cent), coal (12.7 per cent), and lignite (10.9 per cent). The long-term aim is that Turkey should draw its energy resources on a 50:50 basis, divided between hydro-electric and lignite resources. However a reflection of the priority being given to the energy sector is that it is to receive about only 8 per cent of the total outlay of the 1979-83 plan.

The most problematic sector has been oil, still the largest source of energy. Production domestically has always been on a modest scale since oil was first struck in 1950. Production levels peaked in 1969, when they reached 3.6m tons (about 70,000 b/d), but have since declined. In 1977 2.71 tons of crude were produced, and the average production for the first eight months of this year was 0.8 per cent down on the same period last year. Thus between January and August production totalled 1.74m tonnes, of which nearly half came from Shell (858,592 tonnes), with Turkish Petroleum Corporation (TPAO) (629,125 tonnes), Mobil (190,970 tonnes), Dorechester, which operates with Mobil (47,425 tonnes), and Ersan, a private Turkish company (9,518 tonnes), supplying the rest. Of these producers, Shell increased production by 11.7 per cent, and Ersan six-fold: the others recording falls of between 10 and 15 per cent.

The future for Turkey's oil is undoubtedly grim. TPAO and the Energy Ministry attempt to be optimistic by suggesting that in the next development plan production levels will creep up again towards the 3m tonnes/year mark and beyond. And there is installed capacity to cope with this without damaging oil reservoirs. Even so the oil deficit will continue to increase.

Disillusioned

Foreign oil companies, whose contracts are broadly based on an agreement to explore and develop oil resources against the payment of 12.5 per cent of income in cash or kind, are increasingly disillusioned with operations in the country. This is, firstly, because there seems to be general agreement that there is little more oil to be found in Turkey. (At least in viable terms, the most likely areas are probably offshore in the controversial Aegean Sea, where since the crisis over the oil survey vessel Sismik I in 1976 which almost brought war with Greece, exploration has been confined to uncontested areas of territorial waters.) Secondly, Mobil, Shell and BP are owed between them over $150m for payments for crude oil delivered to the Atas refinery at Mersin, where production has as a result been seriously affected.

Shell last month withdrew one of its two remaining exploration rigs, and intends to remove the last early next year. Thus the onus for exploration has rested largely with TPAO, which is carrying on—next year some 39 drilling rigs will be in operation—with more energy than success. But even so, TPAO admits that because of economic problems only 64 per cent of its drilling programme was carried out last year (when five new fields were discovered in Botukyayla, north and south Adiyaman, Sivritepe and Dodan). In addition shortages prevented it importing four drilling rigs from Romania.

General estimates see Turkey's oil reserves—barring unexpected discoveries—running out in 15 years. Meanwhile, the Government has concluded supply agreements, which according to Mr. Deniz Baykal, the Energy Minister, will cover Turkey's oil requirements until the end of next year. The first is an initialled agreement with the Soviet Union to provide 3m tonnes/year against the equivalent of 2m tonnes/year of wheat for three years. The second involves the quarrelsome repayment of $234m debts to Iraq and the delivery of 1.6m tonnes of wheat between 1979 and 1983 and other commodities against the guarantee of 5m tonnes of oil next year. Libya has agreed to supply 3m tonnes next year. And Iran, last July, agreed to supply 1m tonnes of crude and 0.5m tonnes of products from the Abadan refinery against such commodities as cement, glass, and meat. This import of some 12m tonnes plus domestic production of under 3m tonnes should cover domestic needs next year. Yet another illustration of how Turkey is attempting to get round its foreign currency problems.

Turkey's hopes of easing its oil problems have been further damaged by a dispute with Iraq over the oil pipeline between Kirkuk in northern Iraq and Dortyol. Pumping was halted at the beginning of 1978 because of a debt of $234m owed by Turkey and differences over the pipelines throughout royalties. The pipeline, two thirds of whose 980-km length passes through Turkey, has a throughput of 35m tonnes/year and is now functioning at about 15m tonnes/year. This suffered a further setback last month when an explosion, possibly caused by sabotage, halted pumping for about a week, caused the loss of 5,000 tonnes of oil and cost about TL 15m to regain.

The weakness of the petroleum sector has deep bearing on the future policies of power generation. The long term aim is that dependence should ultimately be shared by hydroelectric power and lignite (which though less power-generating than coal is less wasteful and more plentiful). But the production of electricity has recently fallen behind demand (of which industry consumes nearly three-quarters and domestic use about 19 per cent). In 1977, electrical production totalled 20,475 Gwh, a rise of 12 per cent over the previous year. The hope was that with the plants Tuncbilek B-II and Seyitömer III—coming into production, output would rise to 23,200 Gwh (including 600 Gwh imported from Bulgaria), but official figures for the first eight months indicate that electrical generation has risen by just under three per cent over the same period last year, far below the rate of expansion required.

According to the State water authorities (DSI) there are some nine dams with associated hydro-electric plants and another 16 hydro-electric plants in operation. The former sector with a capacity of 8,112m Kwh and the latter 214.99 Mw, with another 9 dams with power plant capacity 3.991 Gwh and two hydro-electric plants (capacity 130 5 Mw) under construction. Long term capacity of projects (either under design and ready for construction or in the final stages of design) are aimed at raising electrical power generated in this section by 13.919.8 Gwh. But the main projects are all more than one year behind because of financing problems, making the chances of shifting away from costly dependence on imported crude oil the more distant.

By the end of the century the Turkish Government hopes to boost the proportion of generating capacity from hydropower to 50 per cent from its present level of between 20-25 per cent. In 1977 there were 18 plants totalling 1.745 MW operating and another seven stations totalling 3,374 MW under construction.

In April of this year the Devlet Su Isleri (Turkish Water Authority) placed a $1.45m contract for the design of two new stations—the 120 MW Kilickaya plant and the Camlgoeze project—with Japan's Electric Power Development Company. A more substantial project is the Karakaya barrage scheme in the south-eastern Taurus Mountains region which will eventually have a reservoir with a surface area of 300 sq. km. Escher Wyss of Zurich is making the six Francis turbines, and Brown Boveri the six 315 MVA generators.

Lignite

Production of lignite rose by 3.4 per cent in the first eight months of this year (on an annual basis) to 5.58m tonnes. Lignite remains at the heart of current Government planning, whose target is that by the end of 1982 energy capacity will have risen to 2,240 MW provided development projects do not slip further behind schedule.

Beyond that, the planners are hoping to use other energy sources such as solar, nuclear and geothermal. A tender has been out for some time for a 600 MW nuclear power plant on the Mediterranean coast near Stifke scheduled to be in operation in 1985. A report due out shortly is likely to recommend the building of a second reactor (of 1,000 MW) on the Black Sea coast to be operating in 1991.

Solar energy, of which Turkey has a considerable and obvious potential, is desperately underused, and lack of technological know-how has restricted its usage to a few domestic water heaters. Geothermal energy development has not progressed beyond preliminary geological surveys and drilling.

Thus prospects for resolving Turkey's energy problems are inextricably linked with—and may be viewed in the same light as—those of the economy as a whole. But it is a reflection of the uncertainty of official thinking that whereas initial estimates were that self-sufficiency would be reached by 1980, with an output of 29.106 GWh revised figures put demand at 45,000 GWh by 1983.

Thus the aim now is to meet this higher requirement with something in reserve. It is a target that may well prove impossible to reach. The sad irony is that, as elsewhere in the economy, Turkey has the natural resources to achieve it provided it can find the finance — and the ability to make a radical change in previous policies.

Anthony McDermott

The roots of industry's crisis

THE OLD peasant had fallen on hard times. To economise, he decided to train his donkey to eat less. So, on the first day, he gave it no food.

On the second day, the donkey seemed all right. So again it had no food. And on the third day, again without food, it died. "Damn," said the peasant. "Just when it was getting used to going hungry." — *A current Turkish joke.*

"When you see exporters driving Mercedes outside your window you know you have done a good job. At the moment, it is the importers you see outside driving the Mercedes." — *Turkish Central Bank Official.*

Humour

Turkish businessmen are now fond of telling the joke about the peasant and his donkey. But for them, there is little humour in it. "I know things will get better," says Mr. Rahmi Koc, chairman of the executive committee of the Koc Group, Turkey's largest business enterprise. "I just hope we don't die first."

Turkish industry's starvation stems from its lack of imported materials and components, cut off by the Government's measures to conserve foreign exchange which have included a desperate attempt to reschedule past trade debts, thus making unpaid suppliers think twice before selling to Turkey again, and a ban, now partially lifted, on imports of all but strategic items such as oil.

For many Turkish companies, the effect has been devastating. The country's rapid industrialisation has been pegged to a domestic market hungry for consumer durables; the machinery components and expertise for producing them have largely come from outside, supplied by partners in joint ventures or licensing deals or through normal commercial purchases.

With the supply lines cut, the level of capacity working has been slashed. In the second half of last year, according to the Turkish Industrialists' and Businessmen's Association, the automotive industry was down to working at 43 per cent of capacity, the basic metals industry to 51.2 per cent, the chemicals industry to 53.5 per cent, with few others apart from textiles (68.9 per cent) much better off.

Some small factories closed altogether; some large ones were closed for several month. Thus, BL's Turkish associate, BMC Industry and Trading, in which the UK group has a 26 per cent stake with the remainder largely owned by two Turkish BL distributors, had to cease its truck, van and tractor production at Izmir for four months earlier this year because of its inability to finance parts purchases from the UK. Its imports bill was running at around £900,000 a month, and even now it has re-opened, it expects to turn out only 5,000 vehicles this year, half the 1977 total, and only 8,500 in 1979, despite BL having found it another source of finance.

Elsewhere in the motor industry, holidays and maintenance periods have had to be re-arranged; in the case of the mainly Koc Group controlled Tofas car plant, producing Fiat cars, wheat was used to pay off outstanding debts to the Italian partner.

Today, says Mr. Koc, the car industry's problems have been much alleviated by a recently introduced hard currency attracting a Government scheme scheme to let returning expatriate Turkish workers buy cars in foreign currency at favourable exchange rates.

Acute

But in other sectors, the problem remains acute: Koc again, for example, has no components for its 1979 television production and nothing in view.

Even the frequent power cuts which have plagued Turkish industry for so long are now being welcomed as providing another way of reducing the call on components. At the same time, the labour shake-out has been considerable. Unemployment it at the 20 per cent level, and Koc for example, has reduced its workforce from 25,000 to 20,000, with the reductions still continuing, and its experiences are typical.

The roots of industry's crisis lie in its lack of production of intermediate and capital goods. It has had an apparently insatiable home market, eager to buy anything it could produce at virtually any price, and it has been in supplying that demand that it has seen its profits rather than producing heavy machinery and components easily obtainable from overseas.

At the same time, it has not had to turn abroad for markets and, with few exceptions, notably in the textile industry, has not bothered to do so. The result of this equation combined with the steep increases in the price of oil (oil accounts for some 80 per cent of Turkey's import bill), has been the present foreign exchange crisis.

Import substitution has been a major plank of past governments' industrial policies, and remains so for the present Government. But it has made little impact: the brunt of the attempt has fallen on the public sector, which accounts for about 50 per cent of industrial output, makes huge losses, and is acknowledged even by those working within it to be woefully inefficient. Even though local manufacture now accounts for 70 to 80 per cent of most Turkish industrial goods, and imported manufactured goods account for only 17 per cent of total sales, the second lowest total in the world, it is recognised that import substitution policies by themselves are not enough.

This does not mean they are being abandoned: a whole new series of ventures is being planned by the State Economic Enterprises, which run the public sector industries, to bring Turkey more substantially into such sectors as marine diesels, hydraulics and steam and gas turbines, construction machinery, machine tools, process plant, electronics, truck diesel engines and gearboxes, and similar items which are now largely supplied by imports. Big increases in steel production are envisaged, and there are also hopes of setting up a joint arms industry, perhaps producing military vehicles so that it is relevant to the rest of the industrial structure, with the U.S.

At the same time, however, a good deal of the emphasis is now being placed on exports, bringing Turkish companies into a world in which, with the exception of the textile industry, they have seldom ventured.

On top of the 23 per cent devaluation of the lira in March and its subsequent weekly revaluations against other currencies (while remaining fixed against the dollar), the Government has introduced several measures to help exporters. These include tax rebates and, perhaps most important as an incentive to move out and sell abroad, a concession allowing companies to retain 25 per cent (more in some circumstances, especially in the automotive industry) of the hard capital they earn to buy necessary imports. The procedures for exporters, who need Government permission for every deal, have been simplified.

Measures

Alongside these steps have come measures to reduce demand in the domestic market, with hire purchase restrictions tightened, bank lending curbed, and interest rates raised. Petrol prices were also put up.

To many, the measures have not been enough. Many businessmen feel the devaluation was insufficient, and there is some expectation that a second one is on the way. The fact that the measures were introduced in several stages rather than as a coherent package is also criticised.

There is concern, too, about the complications of some of the schemes: "I still feel that Turkey is a closed economy. Everything stems from that. The only solution is to float the lira," says Mr. Koc.

The scheme whereby cars can be sold within Turkey for hard currency is, he says, an example of excessive complication to achieve an object which could be solved far more simply.

For, he says, the cars are priced more cheaply, in dollar terms, than the same vehicles being sold for lire. And the sales are for cash rather than credit, thus eroding the additional profitability which comes from a credit sale—"So each dollar costs us more. If you freed the lira, you would get the same result without the complications. And a floating lira would persuade expatriate workers to send more money to Turkey."

The internal austerity measures have also come under fire, notably from outside Turkey, as not being stringent enough. They have begun to bite; of that there seems to be little doubt though it is early days yet to assess to what extent. But the International Monetary Fund in particular has been putting on pressure for further austerity steps to be taken, both to reduce internal spending still more and to force industry further to seek new markets and reduce the foreign exchange shortage.

The practical problems of forcing austerity on a people only just beginning to move into a consumer age of the type taken for granted in Western Europe, however, are immense. For, for all Turkey's rapid industrialisation over the past couple of decades, its per capita ownership of consumer goods is still very low.

The problems of the State Economic Enterprises, perennial lossmakers, are another area that much of private industry feels should be tackled more forcibly to end the drain on the economy that they have undoubtedly caused. Around half of Turkey's industrial output comes from the public sector. Apart from the normal utilities—postal services, railways, and so on—the sector has a near monopoly in minerals extraction, accounts for by far the largest section of the steel industry, and is active too in textiles, the automotive industry, and many other areas.

Concern

The prices charged by the State Economic Enterprises have recently been raised substantially in a bid to end the drain they create on Central Bank funds, but their inefficiency compared to the private sector is a constant source of concern, and the attempts by the Government to use them to bring Turkish industry into intermediate goods manufacture, thus reducing the need for imports, has private industry worried.

"If the public sector provides raw materials and components to industry at prices far higher than world markets can, how is our industry to compete?" asks one prominent industrialist.

The problems are well recognised within the public sector itself.

"The private sector, though able to find good engineers, is not anxious to promote capital goods activities; it has gone for consumer durables but not for the necessary production equipment, even though it is more able than the State to find the good engineers and provide the necessary technology," says Mr. Refik Cabi of the State Planning Organisation. "Therefore the mission to produce investment goods in Turkey is going mainly to the public sector. The State has to produce the machines, even though it cannot afford to pay well enough to find the good engineers. This is a big problem for Turkish planners."

Weak

At the same time, Mr. Cabi admits that co-ordination is weak within the public sector; machinery production, for example, is split between the Ministries of Industry and Technology, Agriculture and Transport.

The fact that losses are automatically covered by the State means that financial controls tend to be too weak, while prices—and wages—have tended to be decided on political not economic grounds.

All these problems are well recognised, and plans exist on paper, at least, for tackling them. The price rises were the first step, and these are being followed by attempts to introduce institutional changes so that the individual State Economic Enterprises are brought closer together where they work in related areas. But no one doubts that this will be a long task: the tendency to run the individual enterprises like branches of the Civil Service, and a very bureaucratic civil service at that, is heavily entrenched.

The plans to move into new areas of operation in a bid to reduce imports also need treating with some scepticism: they require new sources of finance which Turkey for the moment simply does not have. Some fresh licensing deals covering intermediate goods have been signed, but new factories to turn out the products involved look a long way off.

If a successful programme of import substitution appears unlikely to materialise in the near future, the drive for exports is already under way. The textile industry is a well-established exporter—too well-established for some of its customer countries, notably the UK which have set stringent quotas on its products. Much of the rest of industry is just beginning to find its way abroad.

Thus, the Koc group generated only 10 per cent of its foreign exchange needs through its own earnings last year. Its overseas sales were only around $20m. This year it is aiming for $60m on a total turnover of $2bn, a target which, Mr. Koc says, is in sight of being attained—though only with the help of the hard cash car sales scheme inside Turkey, since vehicles sold through that are classed officially as exports.

Koc has set up a special executive committee, reporting back directly to Mr. Koc, to study exports and other ways of doing business abroad, and which has just returned from a tour of Saudi Arabia, North Africa, and the Comecon countries. At the same time it has been reorganising its overseas sales activities generally, reducing the emphasis on its long-established RAM exporting subsidiary, designed on the lines of Japanese trading companies, and going back to the individual manufacturing subsidiaries, which are increasingly expected to handle their own sales abroad.

Sabanci, too, has been increasing its emphasis on exports; its Exa exporting subsidiary was established five years ago and the group has already notched up considerable success in, for example, cement sales abroad: 400,000 tons, or around 40 per cent, of the output of its main plant went abroad last year, mostly to Arabia and North Africa. Tyre cord is another area where its exports have been significant, with Iran and Arabia the major markets.

Only two months ago, a West German subsidiary, Exa GmbH, was set up in Frankfurt with the aim of boosting sales of plastic products, textiles and industrial textiles to Western Europe. The hope is that eventually the company will be able to act as an agent for other manufacturers, too.

One major problem is that, with so much of Turkish industrial production based on licence deals with overseas companies, producers hoping to sell abroad can run into problems with associates not anxious to see the Turkish-made versions of their products competing with them on world markets. The past few months have seen many negotiations on this with the result, for example, that Koc, which earlier this year sold 40,000 of its Arcelik subsidiary's refrigerators to Iraq in an $8m deal hailed as Turkey's largest single export order, is now about to start a sales drive for its refrigerators using the various brand names of General Electric of the U.S.

The use of the GE names is important: it means that the initial part of the selling operation, establishing the brand name in the customer's mind, has been achieved. As a leading industrialist outside the Koc group says: "If you want to sell a product outside Turkey, you must be involved in a joint venture with a well-known name."

In the automotive field, Koc is actively pursuing possible deals with Bulgaria, which makes parts but not finished vehicles, and Romania, which is expressing interest in Turkish-made Renault engine blocks.

The level of exports so far is tiny: even the Koc group's 1983 target of sales abroad of $200m is low compared to the total a comparably sized company in Western Europe might expect to achieve.

Yet despite all the problems and what to an observer appear almost intractable difficulties, industry retains a basic confidence.

"I am very hopeful. Turkey possesses raw mterials, and has no shortage of food. This country possesses the riches to pay back everything and to earn more," says Mr. Koc.

D.W.

TURKEY XIV

Overcoming hostility to overseas enterprises

A REVOLUTIONARY change in Turkey's attitude to foreign investment in the country is being attempted by the Government. At its centre is a new code, now in draft form and likely to be formally published at the beginning of next year, aimed at overcoming a traditional hostility to the entry of foreign enterprises.

The lack of foreign investment activity in Turkey is staggering. In all some 110 foreign companies are established there, virtually all of them in minority partnership with local enterprises. The book value of foreign investment is a mere $250m to $300m or so. And the experience of companies which have managed to force their way in has not necessarily been a happy one.

All this is despite the fact that Turkey has one of the most liberal foreign investment laws in the world covering manufacturing and service industry (oil and gas activities are covered by a separate law). The shortcomings lie in its application by a bureaucracy that comes under almost universal criticism ("You could develop this country but it's against the law," is one frequent comment), so that the law's provisions are turned into a nightmare of restrictions and uncertainties.

Permission to go ahead with a proposed project can take years to come through; plans by an Italian-Swiss-French consortium for a 5,200-bed tourist complex have just been given approval after a five-year wait, for example.

The remittance of profits may be tied to export earnings or to a fixed percentage of the imported capital. Replacement capital equipment imports may be allowed only so long as the foreign exchange outlays are no greater than the annual depreciation of the plant. Machinery for expansion needs specific Government approval plus a generally hard-to-obtain import licence.

Turkish majority ownership is almost invariably insisted on, with the further provision that any increase in capital has to come from the Turkish side, thus diluting the foreign holding still more. Royalty payments from the Turkish associate to the foreign partner providing technological knowhow are often limited. The rules may be changed once the project has been set up.

Behind these difficulties lie a general tradition of hostility to outside business involvement dating back to the last days of the Ottoman Empire when the Government sold many key concessions to foreign interests, to the general detriment of the Turkish economy. The country's experiences then played a part in forming the Ataturk ideal of a virtually self-contained strong Turkey, providing for as many of its own needs as possible, and it is this persisting vision which has kept the country wary of foreign involvement.

None the less, attracted by a large home market, a strategic position at the edge of the Middle East and relatively low labour costs (which, however, are rapidly rising as inflation continues at an annual rate of some 70 per cent), foreign companies have made direct investment forays into Turkey. Indeed, one irony is that by far the larger part of Turkish manufacturing industry is dependent on foreign technological expertise, if not through joint ventures then through licensing deals.

The biggest percentage of foreign capital has come from the U.S., with maybe a third of the total, with the UK at around 3 per cent. Tourism, the motor industry, pharmaceuticals, tyres and rubber, agricultural machinery, electronics and electronic machinery are among the most favoured areas, with the Government giving preference to high technology projects and projects which are export-orientated.

Thus Fiat and Renault both have sizeable stakes in the Turkish car industry; BL has a 26 per cent holding in BMC Industry and Trading, a leading truck and tractor manufacturer. NKF of the Netherlands has 36 per cent of Kavel Kablo, manufacturers of telephone and high voltage cables; Philips, also of the Netherlands, is active in television, radio, light bulb and domestic appliance manufacture; Uniroyal and Goodyear of the U.S. have associated tyre plants in Turkey.

Other companies have almost made it into Turkey but have failed at the last minute. Texas Instruments even got as far as turning the first sod for a factory which, in the event, was built in Portugal, while Shell had a scheme in partnership with a local bank for a tourist complex which was to have been run by Trust Houses Forte but which was eventually vetoed.

And already well-established companies have run into difficulties when trying to increase investment. Thus Fiat, which has a 41.5 per cent stake in Turk Otomobil Fabrikasi (Tofas) in partnership with two State organisations, with roughly 22 per cent each, and the Koc group, Turkey's largest private industrial concern, was given the go-ahead in 1976 to pump in extra capital to expand production and to change the model produced from the Fiat 124 to the Fiat 131. Capacity was increased to 20,000 cars a year at a cost of TL 695m ($28m). Fiat was allowed to put up 41.5 per cent of this, avoiding any dilution of its holding in the company.

Criticism

But the authorisation came only after months of hard bargaining with the Government, which included a threat to close the plant altogether. And it was made conditional on Fiat's not taking part in any future capital increase and ceasing to receive royalty payments from 1980. At the same time the local content of the cars had to be raised to 85 per cent, and 5 per cent of production had to be exported.

In another sphere, Philips, a long-time investor in Turkey and one of a very few foreign companies to have had 100 per cent owned subsidiaries, has just sold 25 per cent stakes in two of its operations, Turkish Philips Trading, established in 1930, and Turkish Philips Industry, established in 1956 and one of the country's biggest television and sound equipment makers. The buyer, the Sabanci banking and industrial conglomerate, was approached by Philips after it had come under strong Government pressure to let in a Turkish partner.

Other companies have pulled out altogether; earlier this year Chrysler sold its 60 per cent stake in Chrysler Sanayi—established in 1962 to manufacture Dodge trucks—to the three local Chrysler distributors who made up the minority shareholders, and two pharmaceutical companies have also sold out in recent months. Indeed five years ago the number of foreign-owned or part-owned companies was almost 20 per cent higher than today's figure at 130.

Now, faced with an economic crisis of horrendous proportions, the Government is going *all out to attract foreign investment.* Its aim, according to Mr. Nazif Cuhruk, Assistant General Secretary for Foreign Affairs and leader of last month's Turkish delegation to the European Commission at Brussels, is a foreign capital inflow of $1.2bn over the next five years, with 70 to 80 per cent of it coming from EEC countries.

The figure represents an annual rate of investment much the same as the total so far in the Turkish Republic's 55-year history and compares with an overall $15.4bn being sought from external resources for financing the latest $63bn Five-Year Plan. The increase is massive but not necessarily out of line with what countries in a similar state of development to Turkey have succeeded in attracting. Turkey's difficulty is that its history of antagonism to foreign capital is going to make its attractiveness questionable to say the least.

The key weapon in the Government's armoury will be the new code, a draft version of which has already been shown to EEC officials in Brussels and which is also to be in evidence at this month's OECD talks with Turkey.

One of its key promises is speedy decision-making: within one week of formal application for permission for a new project being made to the Ministry of Trade and Commerce, it is promised, the proposal will be passed to the State Planning Organisation which will deliver its verdict within a month. The years of delay will become a thing of the past. In addition, the need for majority Turkish ownership may also be waived in some circumstances, with foreign companies being allowed a 100 per cent stake in tourism enterprises (a priority development area for the present Government) and totally export-oriented projects, and up to 50 per cent elsewhere.

Freedom to tranfer abroad the sum invested within the first three years of the project's beginning is to be guaranteed by the Government, subject to a possible maximum percentage in any one year to meet foreign exchange needs.

The priorities for foreign capital remain high technology-based and export orientated or import substituting projects, but for the first time in the republic's life these are to be encouraged rather than merely, as sometimes, accepted.

How effective the code is likely to be in attracting foreign investors is not easy to assess. Mr. Bulent Ecevit, the Prime Minister, has publicly invited foreign companies to come in and to assess Turkey's value as a base in relation to the region which surrounds it, while Mr. Ziya Muezzinoglu, the Finance Minister, says simply: "Foreign companies are welcome."

There can be little doubt that in the longer run, if the new code does succeed in improving thet climate for foreign investment, Turkey's potential as far as overseas cocpanies are concerned could be considerable. The Government is realistic enough not to expect any sudden inflow of funds; rather is it hoping for a slow build-up, albeit to historically very high levels, as it convinces outside companies of that.

D.W.

Foreign investment code

HERE ARE the main points of the draft code for foreign investment, based on an unofficial translation:

1. GENERAL POLICIES

1) Foreign capital establishments (FCEs) are required to accede to the economic and social targets stated in Turkish development plans.

2) FCEs are to conform with competiton rules and policies and avoid abusing their dominant market position.

3) FCEs cannot pursue an unreasonable price policy with adverse effects on competition.

4) FCEs must adhere to the Government's balance of payments and credit policies. Controls may be necessary on transfer prices.

5) At the request of the Turkish tax authorities FCEs must provide information on offshore activities pertaining to those in Turkey.

6) FCEs must aim at a rapid spread of technology within as wide a framework as possible. They must establish research and development units within their organisations and train local personnel at home and abroad.

7) In technology purchases FCEs must keep prices and conditions within reasonable limits. Payments for all non-tangibles are calculated on the basis of the Turkish partners' shares over net industrial cost. Payments are limited to fixed periods.

8) The parent company cannot impose restrictions on the FCE's trade practices, specialisation and fields of production.

9 — Within the legitimate secrecy of business life, FCEs must provide general information required by the authorities, and in particular information on:

i) the structure of the company, the name and location of the foreign partner's parent company, the affiliates in which the parent has shares and the ratio of these shares to the total;
ii) fields of activity, sectors and locations of the parent and its more important affiliates;
iii) sales of principal products and where they are sold;
iv) local distribution of investments in principal sectors;
v) table showing the FCE's fund resources and their disbursement;
vi) the average number of workers employed by the FCE and total wages according to localities;
vii) research and development expenditure;
viii) price policy between affiliates of the parent.

II. GENERAL RULES FOR FOREIGN CAPITAL INVESTMENT

1 — Principles relating to foreign capital ownership: joint ventures are preferred, but for a certain period foreign capital can have 100 per cent of the equity in:

i) projects which are completely export-oriented, would not compete with local companies in exports and would make important technological contributions;
ii) tourism projects.

Otherwise no more than 50 per cent of the equity is to be foreign-owned.

2 — Project selection criteria

(a) Projects to be permitted:

i) complex projects requiring large amounts of capital and advanced technology and management which cannot be mustered by local entrepreneurs, in fields such as machinery, metal goods, metallurgy, electrical engineering and electronic capital goods;
ii) export-oriented projects;
iii) import - substitution - oriented projects;
iv) big tourism projects.

(b) Projects not to be permitted:

i) those solely domestic-demand oriented;
ii) those which would compete with established Turkish export industries.

III. FOREIGN INVESTMENT APPLICATION AND AUTHORISATION

1 — Application is made to the Ministry of Commerce by the foreign establishment or its Turkish partner.

2 — The application should include:

i) market study for goods to be manufactured;
ii) production technology for goods to be manufactured;
iii) breakdown of investments into: fixed investment, working capital and foreign currency requirement;
iv) cost analysis of the production phase and detailed information regarding items of imported inputs;
v) how investment financing will be met.

3 — The application will be sent to the State Planning Organisation (SPO) a week after being submitted.

4 — The SPO will evaluate the project within a month. Within three days afterwards the Ministry will inform the applicant of the SPO's decision.

IV. THE USE AND TRANSFER OF PROFIT AND CAPITAL

1 — Profit transfers and the repatriation of capital are guaranteed by the State if the investment is liquidated within three years after production starts. But, the Ministry of Finance can limit the annual sum to be transferred to not less than 20 per cent in the light of the foreign currency reserve situation.

2 — Profits can be freely utilised within the company. But if they are to be used as investment funds it will be necessary to prepare a new project and obtain a new permit.

3 — In the fulfilment of capital obligations the basis will be the value of the capital in the currency which has been imported.

V. EMPLOYMENT OF FOREIGN PERSONNEL

Applications are to be made to the SPO to employ a sufficient number of foreign personnel to implement the investment, administer the establishment and transfer technological knowhow to Turkish personnel.

VI. INCENTIVES

FCEs will benefit equally from all incentives available to the private sector.

D.W.

The role of land reform in rural development

AND REFORM has been one the staples of political debate Turkey for many years. Yet is a subject where words have ry much predominated over tion.

Turkey's land ownership dis- ibution is one of the world's ore uneven. Some 2m holdings, per cent of the total, are timated to be of less than 5 ctares. There are 100,000 ldings, less than 5 per cent the total, of 20 hectares or ore, while there are around 00 holdings in excess of 0,000 hectares.

The figures speak for them- ves. Throw into the equation e existence, especially in stern Turkey, of extremely rge one-family holdings some- nes embracing whole villages, significant degree of absentee dlordism alongside share opping and more conventional nancy arrangements and a ge-scale system of small- lder peasant agriculture and reasons for the debate come obvious.

Many holdings are too small— d too scattered—to be worked onomically, and there is wide- read poverty among the land-less and those with too little land. At the same time, share-cropping arrangements and absentee landlordism—about 20 per cent of farmers are share-croppers or tenants—provide no incentive for improvements in farming efficiency.

Meanwhile the fragmentation of holdings continues as a result of Islamic inheritance law, while disputes over land ownership are numerous because of the lack of use of the land registry.

Problems

All these problems which make land reform appear so desirable also make it a difficult objective to achieve. Only one major attempt to do so has been mounted in recent years, through the Land Reform Act which came into force in 1973.

The Act put a ceiling on the size of holdings and provided for the expropriation of land and its redistribution, the establishment of land reform co-operatives, the regulation of tenancy and sharecropping agreements, and the establishment of a Land Reform Organisation. The reform was to be mounted region by region, starting slowly and gradually gaining momentum. But the programme seemed all but doomed right from the start.

For while the Bill was going through Parliament, the area involved was halved and the level of compensation doubled. A limited programme did get under way, in Urfa province in South-East Anatolia, but it went very slowly indeed.

Only about 11 per cent of the agricultural land in the province fell under the provisions of the Act, with 18,000 people potential beneficiaries, about a fifth of the rural population of the province. In all 17.68m hectares were nationalised against 38.12m which should have been. A further 12m hectares of arable land already belonging to the State were thrown in, and redistribution took place.

But it took place largely without the necessary support services. The beneficiaries were required to join co-operatives which, it was planned, would also establish small rural industries and play a general part in the rural economy. But few of the co-operatives were properly set up; almost all became in effect State farms, leaving the question of incentives to improve land use as open as before.

On top of this, the province's social structure was too strong in some cases to let reform proceed; the land may nominally have been nationalised and redistributed but it continued under the effective control of its old owners. Today, it is a not uncommon complaint among the poorer people in the region that much of the nationalised land and public estates set aside for redistribution is now being used illegally by the big landlords. The lack of precise information on land ownership on top of the other problems in any case rendered the task a monumental one.

In the event, the constitutional court was called in and, early in 1977, annulled the Land Reform Act, though it allowed it to remain on the statute book until May this year to give time for the programme set under way to be completed and for another Bill to be formulated.

But none has appeared. The Prime Minister attaches a considerable weight to land reform in his public utterances, seeing it as an important plank in a policy to bring about more social cohesion and help to end the political violence so apparent in modern Turkey. But the realities of coalition government appear to have ruled any new Land Reform Bill out of the question. And in the country's present parlous financial state, it would seem doubtful if the Goverment could afford a new land reform programme even if its coalition partners permitted it to go ahead, especially as in March last year landowners were allowed to revalue their land in line with existing land values, something permitted only every five years, thus putting up the cost of expropriation significantly.

Changes

So Urfa, a province which because of the long neglect of its potentially rich soil is said to be less fertile today than in ancient times, stands alone as the site of an ill-fated experiment.

In the long run this may be no bad thing. For the debate on rural development in Turkey had tended to concentrate almost entirely on land reform, so that other possibilities received less than their fair share of attention. Today there are signs that this is no longer the case: Mr. Ecevit talks about going "to the roots of the problem [of social and political unrest] by going to the land, both through the industrialisation of rural areas and the reorganisation of agriculture."

Land reform remains important, but it is now being seen as only a partial solution to the problems of Turkey's rural areas rather than a complete cure-all. And with the gradual but increasingly important development of larger farming units using modern technology and hired labour, it may well in the very long term become less relevant.

D.W.

Emphasis on education

E EDUCATIONAL world is obably the most sensitive here of Turkish society. The sons for its importance are it a heavy investment in man- wer is crucial to the country's uggle for rapid economic velopment and unlike the other industrialising nations East Asia, Turkey has no ritage of mass literacy.

It has been estimated that en the Turkish Republic was ablished in 1924 only 6 per nt of the population was erate. By 1970, although much ogress had been made, more an half the country's popula- n was still officially reckoned be illiterate. At every level society, shortage of technical ills and basic training still nstitutes a major obstacle to rkey's efforts to transform to a modern society.

But in recent years, the ucational scene has been racting attention for even omier reasons. The Ministry Education had long been one the most fought over and ntroversial institutions in rkish society. That polarisa- n has now infected almost ery classroom, student hostel, d lecture hall, and claimed as any as 700 lives this year one. There are deep cultural asons for this situation, any of them reaching back to the Islamic past and Otto- an history.

In traditional Islamic society, arning was seen as the quisition of a fixed set of vinely ordained rules for the gulation of society. Over the st 150 years education has en thoroughly secularised. et it is still possible to discern any Islamic habits. Education seen largely as a vocational ocess. Memory plays a great rt in learning, even at uni- rsity level. "Abstract" or pure" science and speculation e discouraged. Philosophy, as is understood in the Anglo- xon world, does not exist. In ort, education is seen as the plantıng in the young of the tterns of social and cultural thodoxy, as the technique of aping the next generation to it its alloted roles in society.

All this takes place in what , barring a few schools for the ergy established during the st two decades, a thoroughly cular environment. One undred and fifty years ago, the ders of Turkey decided that compete with the West it was ecessary to acquire Western ills and that they could only e learnt in Western schools. he traditional Islamic educa- onal apparatus of the Ottoman mpire withered in a few generations and was dealt a death blow by Ataturk in the 1920s. For over a decade, Turkey did not even have a Faculty of Islamic Theology.

When, after 1950, multiparty politics meant that demands for religious education once more had to be taken seriously by the Government, secularism was firmly established.

It is this system, inherited from the 19th Century and consolidated under Ataturk and Inönü, which provides the framework for Turkish education. Its administrative and pedagogical arrangements are predominantly those of French education. Student life consists of studying up to 15 subjects in high school, relying on memorisation, rather than the acquisition of critical disciplines, and overshadowed by the sanction of constant examination. As in other developing societies, the career prospects of a student who cannot pass examinations are dire. Ministerial decisions about just how many re-sits will be permitted during the summer tend to turn into momentous political decisions.

Expansion

But it is not simply this emphasis on cramming which has made Turkish education into a battleground. Much more important has been the rapid expansion of schools and universities since 1960, without a concomitant increase in either trained staff or facilities. The size of the expansion is startling. In 1960 Turkey had less than half the number of university students studying in the UK. By the mid 1970s, despite the expansion in British education and despite the fact that the UK population was 14m above that of Turkey, the Turkish university student population was more than 100,000 above that of the UK. During the same period, the number of pupils in Turkish primary schools rose by 103 per cent; the number in Turkish middle level schools by 243 per cent; the number in Turkish sixth form lycees by 300 per cent; and, most staggering of all, the number of university students by just under 400 per cent.

It is instructive to see the growing gap between the number of students in Turkey and the number of school teachers available. While the number of lycee students quadrupled, for example, the number of teachers rose by less than one and a half times. Though the university population grew almost five-fold, and the number of higher education institutions rose from 56 to 227, university teachers doubled. At the same time, it goes without saying that the Turkish educational world had neither the traditions nor the resources to endow its new centres of learning with adequate facilities. A rough patch of ground to serve as a football pitch, a pop group or folk lore club, and a small canteen were invariably the sum of extra curricular facilities offered to the students.

This kind of ill considered expansion may have been a necessary response to the country's population explosion and the challenge of establishing a modern society. But much of the discontent which followed was wholly predictable. Many of the lycee students cannot bear comparison with their counterparts in the West and their career expectations are inevitably frustrated. The demand for university education, regarded as a right for all Turkish lycee leavers as in France and Italy, has had to be regulated by the introduction of a national university entrance exam. In principal this might sound like the answer to Turkey's problems, for standards in secondary education vary wildly. The elitist Science Lycee in Ankara or the American Robert Academy in Istanbul are excellent schools by any standards. But many Anatolian lycees do not have their full complement of teachers and crowded classrooms hold more than 80 students.

As a result a university entrance examination was devised along lines borrowed from the American educational system. It relies heavily on an Intelligence test, labelled "general ability." This may sound strange, but as a Turkish university teacher said: "The applied knowledge tests are even worse. One gets multiple choice questions which can only be answered correctly by guessing the political views of the examiner."

Despite this, the last decade has seen a definite improvement in the quality of university education in Turkey. Somehow the ablest students do manage to survive the system and a very high percentage go on to study for post graduate qualifications in America or Europe. The Turkish state, and latterly the private sector, give generous scholarships for this purpose. According to one estimate in the early 1970s, the equivalent of half Turkey's higher education budget was being spent abroad on postgraduate education.

A more serious problem exists lower down the educational ladder. Many of the less privileged in rural society have no hope of going to a university. They aspire instead to a simple vocational education in a teachers' training college where their expectations are limited and they find themselves on a cultural frontline in village society. The importance of the teachers' training college in Turkey was quickly realised by political extremists when the present tensions erupted a decade ago. During much of the 1970s, the teachers' training colleges were a prime target of the neo-Fascist movement in Turkey, which hoped to raise a generation of village teachers loyal to its cause. Entrance examinations often consisted of questions about the Nationalist Action Party and its leader. "Give the date and place of birth of Mr. Alpaslan Turkes." Several times the High Court had to annul training college entrance exams for severe irregularities. During the two years of the Nationalist Front Government, Turkish lycees were also allowed to slip into the hands of the Far-Right and threatened to become centres of indoctrination in National Socialism. It is not the least of the achievements of Mr. Ecevit's Government that, though the problems of education remain daunting and though many private student hostels are still bastions of armed political extremism, some sense of political neutrality is at last beginning to return to the classrooms of Anatolian lycees.

Thomas Faulkner

TURKEY XVI

Success in foreign construction work

THE CONTRACT for 46km of double pipeline to carry water to Mecca had been awarded at very short notice. Completion was required urgently. But there were no pipelaying machines available locally and no time to arrange for their import.

What the contractors did have was a mechanical excavator. Ropes and wires were attached to its bucket, and a Heath Robinsonish pipe-laying machine rigged up. And despite two floods the contract was completed within three months, earning the company's directors a personal telegram of congratulation from Saudi Arabia's Minister of Public Works and Housing.

The contractor involved in that profitable piece of ingenuity late last year was Enka, one of Turkey's biggest civil engineering groups and the company which spearheaded the Turkish industry's drive into the Middle East in 1971, some 14 years after it was set up.

Turkish civil engineering groups have built up a big reputation in the Middle East, in part because of the same sort of mechanical aptitude which keeps the streets of Istanbul filled with pre-war American cars decades after the last spare parts were available from the manufacturers. So, with domestic construction, once one of the high-fliers, now seriously hit by the economic crisis which has curtailed both Government and private contracts alike, it could be in that direction that more of the industry's future lies.

Unlike many of their foreign rivals, Turkish construction companies operating abroad use exclusively Turkish labour; they are, in effect, exporting some of that surplus manpower which used in economically more cheerful days to be able to find work in West Germany or elsewhere in Western Europe.

Estimates

The numbers involved may be relatively small: some 2,000 to 3,000 Turks are estimated to be working on Middle East civil engineering projects at any one time, and work in progress with Turkish involvement is estimated at $2bn. But with Turkey's desperate need for foreign exchange and the low export-orientation of most of its industry, this activity is an important one.

Yet strangely it has received little Government recognition. The recent concession which allows manufacturing industry to hold on to 25 per cent (and sometimes more) of its foreign exchange earnings to pay for essential imports does not apply to the construction industry. Turkish ministers travelling abroad and its diplomats stationed there have been less active in trying to pave the way for the successful signing of contracts than their counterparts from other countries, though this situation is changing. Turkey's financial problems also bring their own problems: letters of indemnity are not easily obtainable from Turkish banks. And despite Turkey's prime geographical location on the edge of the Arab world, communications can be a difficulty: Enka has found itself having to telex messages from Saudi Arabia or Libya via its West German office instead of direct to its Istanbul headquarters.

Yet the successes pile up, with lime and cement works in Libya, lime works in Saudia Arabia, road-building projects in those countries and Iraq, and so on.

Because of the problems with letters of indemnity, a foreign partner is often necessary — Enka, for example, has forged strong links with Polensky and Bilfinger Berger of West Germany, among others — but the Turkish company is far from being the junior participant as a matter of course.

In all, it is estimated, around two dozen Turkish contractors have gained Middle East contracts at one time or another this decade, and five at least are actively seeking more.

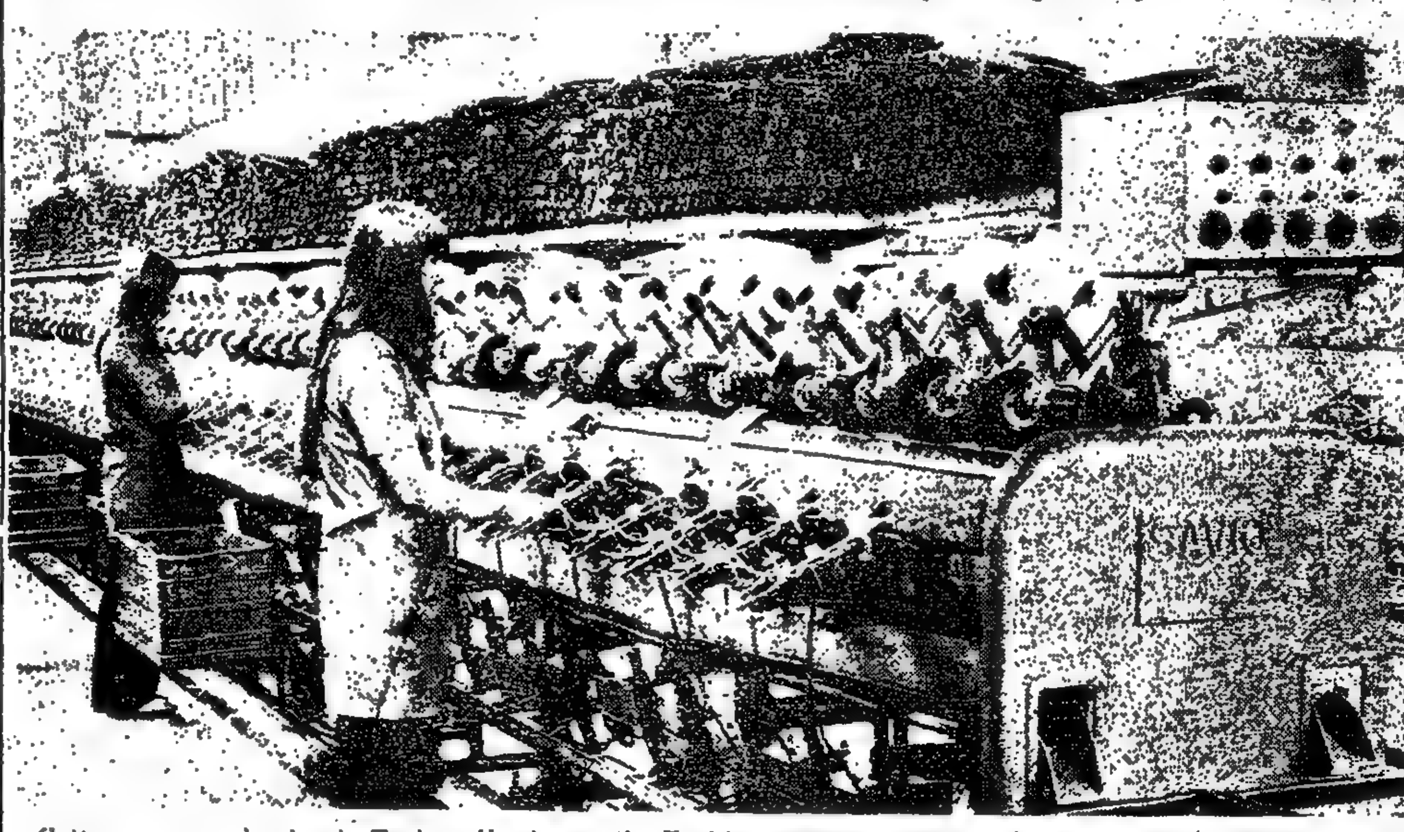
The successes they have notched up do not match those of, say, the South Koreans in the Middle East, and the steady increase in Turkish wage rates has meant an erosion of some of their advantages, though they remain competitive as far as labour costs are concerned.

Their main need, according to Enka—which derives 30 per cent of its turnover from Middle East construction, has permanent offices in Saudia Arabia and Libya and has around 500 people working on Middle East projects at the moment—is a change in Turkish officialdom's attitudes to exports to match the priority top ministers attach to overseas sales.

There is a change, but it is slow, the company says. "Government offices are not flexible enough. We have to go to them to get a licence for an overseas contract, and likewise for foreign exchange. So it takes time. And when you are trying to win a contract time is a very important factor. If the Government thought that this was an industry which had potential for outside Turkey could do more. Turkey has considerable potential in this respect. Turkish labour potential is fantastic. And we have enough engineers to support more activities in those countries."

There are shortages at middle levels—electricians, pipelayers and other technical specialists. But with so much of Turkish industry, including domestic construction, facing lean times, this is one success area Turkey cannot afford to ignore.

D.W.



Cotton yarn production in Turkey. Until recently, Turkish yarn accounted for 20 per cent of all British yarn imports

Textile industry wins increasing exports

AMID THE gloom surrounding so much of Turkish industry, one sector stands out in cheerful contrast. Turkey's traditional growth sector, the textile industry, is still exporting successfully and working at relatively high capacity levels.

In the second half of last year, with much of the country's industry working at only half capacity as a result of the restrictions on imported raw materials and intermediate goods, the textile industry was averaging nearly 70 per cent working. Today at least one of the biggest groups involved, Narin Mensucat (Textiles), claims to be producing its cotton yarn at 95 to 98 per cent of capacity, a healthy figure by any standards.

Contrast

Exports are likewise healthy by Turkish standards, in marked contrast to most of the remainder of the country's industry where, after years of almost total concentration on the home market, a drive on sales abroad is just starting, prompted by the exigencies of the foreign exchange situation.

Between 1970 and 1976 they grew almost tenfold in cash terms from $27.5m (out of total industrial exports of $107.9m) at the start of the decade to $272.7m (against total industrial exports of $595.8m) six years later. Likewise, benefiting from the broad base of Turkey's rich cotton-growing regions, textiles is the sole manufacturing sector to have consistently exported more than it imports: in 1976 exports were 341.7 per cent of imports against an all-industry average of only 15 per cent.

The figures reflect the fact that the proportion of exports to domestic sales is very much higher than in the rest of Turkish industry: cotton yarn exports, for example, at an annual average of around 60,000 to 70,000 tonnes, account for between a quarter and a third of Turkey's total cotton yarn production. This success, however, has not been achieved without arousing strong reaction from the customer countries, coming as it has at a time of growing problems for the Western European textile industries as a result of low-cost imports from elsewhere.

Only two months ago the European Commission decided after strong protests from the British Government to suspend all further yarn exports from Turkey to the UK until the end of this year. The move followed the imposition of quotas on Turkish exports to the EEC, with a 3,000 tonnes limit for Britain, and came after claims that Turkey's actual sales to the UK in the first seven months of the year had reached 3,772 tonnes compared with 2,232 tonnes in the whole of 1977.

In all, Turkish yarn was estimated to have accounted for about 20 per cent of all Britain's yarn imports. The rapid increase had, it was said, distorted the market and caused "serious damage" to the UK industry.

The effect of the ban on the Turkish industry is difficult to assess: one of the country's largest textile producers says it has "affected us very seriously." Others are more seathing: "We laugh at the decision, because the sales involved are so small. Even if they doubled, they would still be small: 1,000 tonnes (the rate at which sales to the UK were running ahead of the quota) is not even the capacity of a small factory," says Mr. Halit Narin, president of the Turkish Textile Employers Association and head of the company that bears his name.

Two things are certain. First, the clampdown which came 18 months after the Turkish Government, at the behest of the EEC, reduced the level of tax rebates on cotton yarn exports, was imposed at a time of falling overseas sales anyway. From exports of 78,000 tonnes in 1976, sales abroad dropped to 58,000 tonnes last year and, while 1978 overall is expected to show a rise, they are expected to be up to only 62,000 tonnes, still below the 1976 level. Secondly, there is no mistaking the degree of anger the EEC (and especially the British) attitude has aroused in Turkey, especially as the curb on yarn sales has been accompanied by quotas on cloth and warning noises about made-up clothing.

In successive talks with the EEC Turkish officials have pointed out forcefully that, almost alone of Turkish products, textiles are still subject to import duties, making, they claim, a mockery of any advance toward free trade under Turkey's associate membership of the Community since textiles constitute 54 per cent of Turkey's exports to Western Europe. On top of this, they claim, the UK ban is a straight violation of the relevant protocol between Turkey and the Common Market.

There is recognition of the problems facing Western Europe's textile producers, but at the same time, it is maintained, Turkey's products are subject to worse treatment than those from countries which have no association agreement with Brussels—a claim not accepted by the EEC.

It is questioned, in any case, how effective Britain's move against Turkey will be in terms of curbing the inward flow of textiles to the UK. "If there is a buyer there is always a seller," says Mr. Narin. "If the market is there, and it is, the yarn will still come into the country." Turkey is still exporting the same amount, he claims, and the yarn is still probably going into Britain, though now via other EEC member countries.

If anything, he says, the Turkish exporters were too gentle in their selling into Western Europe, being careful not to cut prices and distort the market.

"I hope the EEC countries will understand one thing. Textiles used to be the No. 1 industry in England. Now it is near the end of the list. But it is No. 1 in Turkey. As a partner —and Turkey has been accepted as a partner in the EEC in the long term—we must admit this reality." Turkey had to buy from W. Europe chemicals, machinery and other things it did not make. Western Europe should accept the need for Turkey to sell its products there. "European countries are always hungry to sell, but are not ready to buy. How do they expect developing countries always to buy?"

At the same time Mr. Narin claims that Turkish yarn exports have stabilised, with investment in new capacity in the cotton yarn industry now virtually at an end after a long period of heavy growth. That, he says, is another reason for the EEC in general and Britain in particular to look more kindly on imports from Turkey.

The anger over the decision has been reflected in more practical ways too. Government retaliation has been threatened by the Trade and Commerce Industry, though not actually carried out. But British companies trying to sell textile machinery to Turkey have been told that the local textile union is effectively blocking their sales. They too make the point that the actual value of the Turkish yarn involved is very small: "This firm alone has had inquiries having a potential

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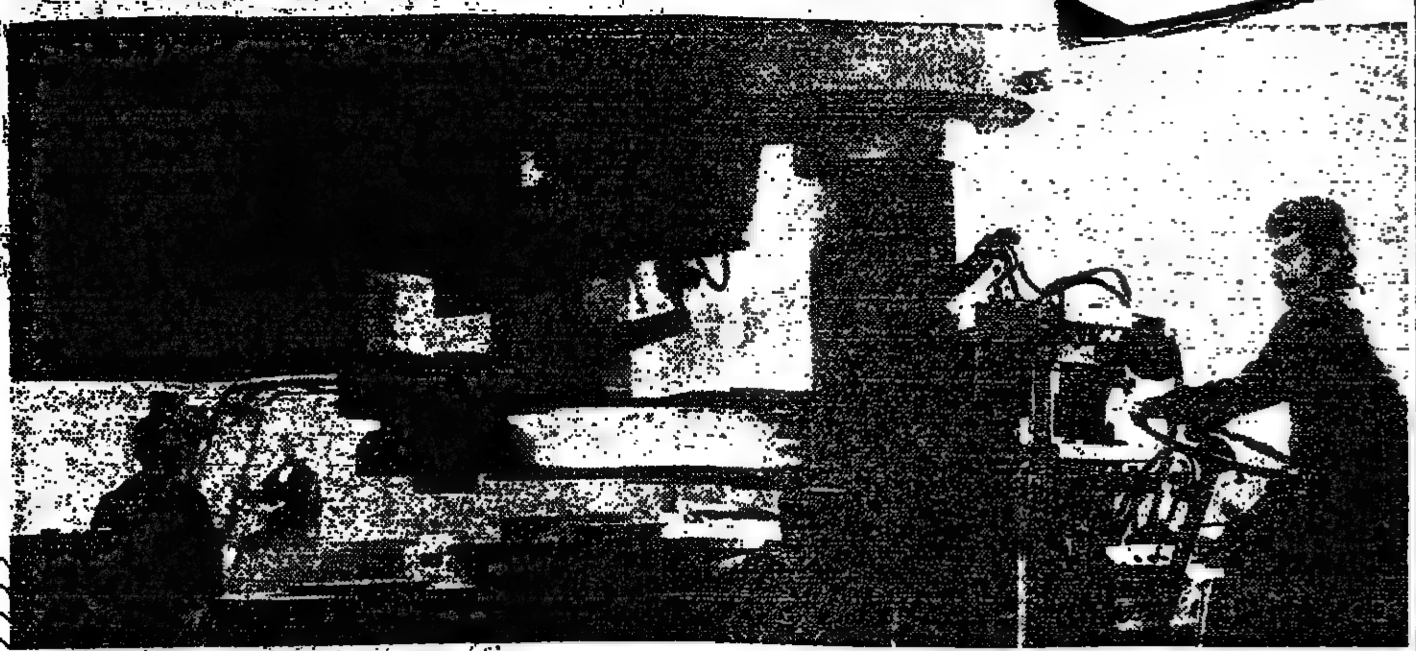


A forging press, built by Davy-Ashmore Ltd., for Makina Ve Kimya Endostria Kurmini (Turkish State Steel and Chemical Industries), located at Kirikkale

Steel sector has grown rapidly

HIGH ON the $8.4bn shopping list of a Turkish delegation to the Soviet Union last month were additional funds for Turkey's steel industry. Like so many sectors of the Turkish economy, steel has grown very rapidly in the past decade or so, and again like other sectors there are ambitious plans for it to grow still further.

This reflects a perennial shortage of steel within the country. Consumption has been rising very fast; this year it is likely to work out at around 5.7m tonnes, 15 per cent up on 1977, and the expectation is that it will have reached 8.96m tonnes by 1983, a rate of 14.4 per cent a year, with flat products leading the way with 16.5 per cent a year growth rate to 3.6m tonnes by 1983.

Prouction, on the other hand, is lagging way behind; 2.1m tonnes had to be imported last year, with 1.6m tonnes the probable total for 1978.

Turkey's main integrated steel plants, all owned wholly or largely by the state, have all been built with foreign assistance: Istemir with its deep water harbour, was built with Russian assistance in the mid-1960s, the Erdemir flat products plant, with its smaller harbour, had U.S. help, and the pre-war Karabuk plant was realised with British credits.

Yet the industry has constantly failed to live up to expectations, despite an 8.6 per cent annual rise in crude steel production between 1972 and 1977. At one stage, the Russians complained that Istemir was running at only 10 per cent of its original 1m tonnes a year capacity; at present, the plant, currently being doubled in size and the subject of discussions with the Soviet Union aimed to raise its capacity to 6m tonnes a year at a cost of $1.25bn of cash from abroad, is producing at the rate of only 1.15m tonnes compared with a potential 1.4m tonnes.

Both it and the Erdemir plant, with a 1m tonnes capacity, have had only one of their two blast furnaces functioning this year, hit both by problems within the state organisation that runs the plants, leading, for example, to frequent management changes, and, more prosaically, by shortages of coking coal.

Some 70 per cent of the industry's coking coal comes from within Turkey, but the 5m tonnes produced has a high ash content and has not always been efficiently distributed, being used for domestic heating instead of by the industry which so desperately needs it. Steps are now being taken to ensure that it is directed toward industry, while the problems such as the U.S. miners' strike which hit imports of coking coal are now over.

Overall, the hope is to achieve self-sufficiency on coking coal very swiftly, at least until 1982-83 when the high rate of growth foreseen for steel production would make imports necessary again.

Elsewhere on the raw materials front, there are also ambitious plans for the construction of iron ore pellestisation plants. The first, about which talks are in progress with the Soviet Union at the moment, would be at Hasan Gelebi. By 1984, it is hoped, 4½m tonnes of pellets a year would be produced, with output later rising to 6m tonnes, making the plant one of the longest of its type in the world. At Divrigi-Sivas, from which 1.5m tonnes of ore a year is currently obtained (with another 1m tonnes of ore coming from elsewhere in Turkey, and some imports, notably from Brazil), the aim is a complex with a total capacity of 4m tonnes a year.

At the back of all these plans lie the proposals for expansion of steel production itself. In addition to the talks with the Russians, there have been discussions with Japanese interests about the possible supply of know-how for the Erdemir plant, where flat product output is planned to rise to 6.4m tonnes a year by 1993. Expansion is also under way at Karabuk, bringing that up to 900,000 tonnes a year against the present 700,000 tonnes a year.

Eventually, the state sector is looking for an export market as well as supplying home industry: there are some exports of pig iron already and a market overseas is seen for steel pipes and castings, with exports of steel profiles reaching 100,000 tonnes a year by 1983.

There is expansion too in the electric arc furnace based private sector: an 85,000 tonnes a year alloy steel plant, Arcelik, is being built by the Koc group, another similarly-sized private sector plant is being planned, and other smaller private sector plants are maintaining a quiet success. Also significant is the Aliaga special steels plant at Ismir, operated outside the framework of the State Economic Enterprises but by the Mechanical Chemistry Institute of Turkey (MKEK), with a capacity of 300,000 tonnes a year.

Meanwhile, with production well below demand and restrictions on imports, a flourishing black market in steel products has sprung up, matching the black markets that exist in so many other areas of industry.

Attack

An attempt to deal with it came earlier this year when a State monopoly was established over the importation and distribution of iron and steel products, a move which has been attacked by private customer industries as creating inefficiencies in the distribution system and creating further shortages. It also increased private sector fears of further nationalisation generally, fears which have been fanned, too, by the increasing State involvement in minerals exploration, even though Prime Minister Bulent Ecevit has specifically denied that any extra nationalisation moves outside the mining sector are being planned.

The establishment of the State monopoly was accompanied by swingeing price rises, much in line with those imposed on other State Economic Enterprise products, ranging from 21 to 47 per cent, and aligning official steel price levels with those on the black market.

The big question mark has to lie not over whether the expansion plans will materialise as far as the physical construction work is concerned but whether they will be converted into the big increases in production being sought. The state steel industry has been plagued by the same problems affecting the other state economic enterprises, and especially the non-commercial rationale of much of the decision-making. At the same time, Turkey's energy shortages could be a crucial constraint. To produce 1,000 tonnes of pig iron takes 25 kWh of electricity; 1,000 tonnes of crude steel needs another 28 kWh: and 1,000 tonnes from the rolling mills another 120 kWh.

The hope is to co-ordinate coking coal production, steel output, and the energy programme. It is obvious that failure with the latter could be the biggest problem of all. Meanwhile, iron and steel shortages look like being a fact of Turkish industrial life for some time to come.

D.W.

Exports

CONTINUED FROM PREVIOUS PAGE

order value in excess of the value of the total yarn import in 1978 . . . the overall effect is one of politicians taking a sledgehammer to crack a walnut," says Mr. D. J. Walsom, marketing director of Leicester-based Samuel Pegg and Son.

Meanwhile, the Turkish industry is moving in to new markets, looking to the Middle East, the Soviet Union, and Africa for more of its sales, expanding its not inconsiderable output of man-made fibres, and also increasing the importance of made-up cloth (50 per cent of the Narin company's overseas sales, for example) and clothing in its sales mix.

Eventually, some leading business figures in Turkey believe, the industry's future will lie not with yarn sales at all but in made-up clothing, and high quality made-up clothing at that, rather than in competition with those countries in the Mediterranean and elsewhere sending cheap suits and dresses to Western Europe.

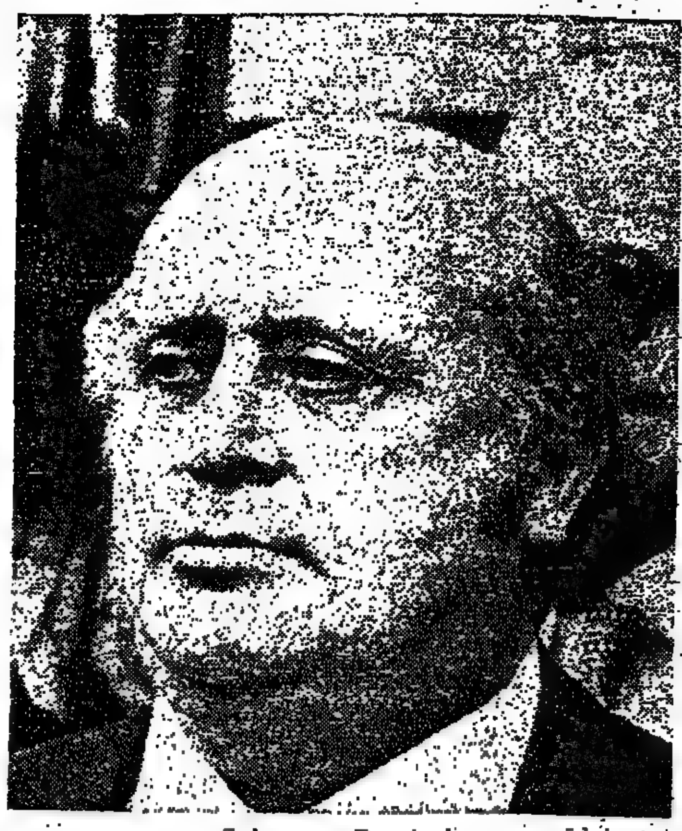
Meanwhile, the nagging worry that remains is: if Western Europe takes steps against the one Turkish industrial sector which has already proved itself a successful exporter in both price and quality terms, what will it do if the rest of Turkish industry proves successful in the switch to export orientation the country needs so desperately to escape from its balance of payments trap?

D.W.

On this page and opposite David Tonge, Metin Munir and Betty Slade Yaser profile a number of leading figures in politics, business, the trades unions and industry.

Leading personalities

Suleyman Demirel



Suleyman Demirel

MR. SULEYMAN DEMIREL can safely be ranked among the more experienced politicians of Western Europe. Behind him, at the age of 53, the Right-wing politician has 14 years of continuous chairmanship of the main opposition Justice Party (JP) and nine as Prime Minister.

Many claim that Mr. Demirel has grown stale and so, under him, has the JP which after winning two consecutive elections, declined to second place after Mr. Ecevit's Republican People's Party (RPP) in 1973. Mr. Demirel's riposte is that if he is successful why should he resign?

In any case the matter was recently solved at the JP convention which re-elected this corpulent, balding politician for a new term of two years. The vote was almost unanimous. "If I go, you will all starve," Mr. Demirel told a Turkish cartoonist recently.

Mr. Demirel was born to a poor farming family in a small opium-growing village in the north-west of Anatolia. He studied engineering in Istanbul and joined the Civil Service where he had a short but distinguished career in the State waterworks. He quit the service to become a successful building contractor and made enough money to enable him to enter politics.

His rise was meteoric. Soon after joining the JP he won the contest for the party's chairmanship when the incumbent suddenly died. In a year he was leading the JP to victory at the polls and became Prime Minister.

Leftists and liberal intellectuals may not like it but it appears that Mr. Demirel will remain one of the dominant figures in Turkey's political life for as long as he wishes or his life span permits. Nothing, it would seem, can budge him.

Mr. Demirel suffered many setbacks, any one of which would have long ago finished a politician in Western Europe. Since 1970 his party was splintered three times, he was ousted by a military intervention once, lost general elections twice and has come under persistent attacks for alleged nepotism. He has come through unruffled.

Mr. Demirel is without doubt the biggest survivor and political manipulator in Turkish Parliamentary history. He is pragmatic to the degree of having no principles and is a man of boundless energy and awe-inspiring memory. He has no children, no hobbies, does not jog or play golf, rarely takes holidays and never goes on a trip unless required by his official functions. His whole life appears to be devoted to politics and his visions of creating a "Great Turkey."

It would appear, however, that Mr. Demirel's best days are over. The JP is indeed stale and losing support. Its chances of coming to power alone are limited in view of Mr. Ecevit's growing strength and the existence of two small Right-wing parties which thrive on former JP votes.

But Mr. Demirel is here to stay. He is the sort of politician who leaves politics, as Jean Paul Sartre puts it, "with his feet first."

M. M.

Alparslan Turkes

Alparslan Turkes

MR. ALPARSLAN TURKES is the most controversial politician in Turkey today. His opponents charge him with being a fascist, and cartoonists often depict him as a dwarf Asiatic Hitler with either a knife dripping with blood or a smoking pistol.

Mr. Turkes vehemently denies such charges and was recently reported by the Turkish Press as having said: "If anybody calls me a Fascist or a murderer I will tear his mouth apart."

Mr. Turkes was born a British colonial subject in Cyprus, 61 years ago. His family immigrated to Turkey where, at 16, the young Turkes entered a military school in Istanbul.

He distinguished himself both at school and later on in the army, which he joined in 1939, though was briefly arrested in the war for his pro-German sympathies.

He was sent to the U.S. and Germany to further his studies and represented the Turkish General Staff in Washington.

It was in 1960 that Mr. Turkes gained prominence. He was one of the 38 officers who revolted to overthrow the Menderes regime. The 43-year-old colonel gained instant fame after he read the junta's first statement over the radio in his subsequently cavernous voice.

He was one of the 14 junta members who were purged for allegedly harbouring "dictatorial aspirations." Mr. Turkes was posted to New Delhi and relative obscurity while the junta turned over the administration to civilians.

After his return home, Mr. Turkes entered the extreme Right-wing Republican Peoples Nations Party and in 1964 became its chairman. The party subsequently changed its name to Nationalist Action Party and is now the fourth biggest in the National Assembly. It has 16 deputies in the 450-member assembly, up from three in 1973.

Mr. Turkes served as Deputy Prime Minister in the Demirel coalitions between 1975-77.

What makes Mr. Turkes such a controversial figure is his alleged role in the political violence. It is claimed that his party's Youth Branch, the Ulku Ocaklari (Idealists' Heart) is one of the principal instigators of the violence.

Mr. Ecevit recently charged that of the nearly 2,000 people in jail for political violence, about half belonged to either the Turkes Party or Youth Branch, or sympathised with them.

Mr. Ecevit further charged that there were police reports which provided "concrete evidence" of Mr. Turkes's connection with extreme Right-wing terrorists. These charges, too, were denied by Mr. Turkes who accused Mr. Ecevit of lying and looking for excuses to shut down his party.

Mr. Turkes claims that he is a nationalist, and, as such, is one of the principle targets of KGB slander campaigns.

Whatever Mr. Turkes's denials it seems quite certain that his idealists, who are usually called commandos or grey wolves (after the legendary wolf which led Turks from the Steppes of Asia to Asia Minor) do play a role in the political violence.

There are a large number of these who have either been convicted or are on trial for crimes of political violence—usually the murder of Left-wing opponents.

As the political violence continues, so will Mr. Turkes's controversial role in politics. It will be interesting to see how his party (which attained the largest vote rate to win about a million votes) will do in the general election of 1981: it will be a type of referendum for Mr. Turkes who, in the eyes of his opponents, remains a Fascist with dictatorial aspirations.

M. M.

Ismail Hakki Aydinoglu

Ismail Hakki Aydinoglu

IN CONTRAST with the protracted alarums which accompanied the dismissal of Dr. Tayyar Sadiklar from the governorship of the Central Bank of Turkey, only muted notes have been heard since the new appointee, Mr. Ismail Hakki Aydinoglu, took over last month.

Now a more comfortable relationship has been re-established between the Government and the Central Bank—even if it is too close a relationship for many Western bankers.

With the Treasury holding the majority of the stock of the Central Bank it is always hard for the Governor to insist on the rights which are apparently his by law.

Mr. Sadiklar fought hard for those rights—harder, arguably, than he had fought for the independence of the bank under the previous government. But his ultimate demise was perhaps inevitable.

His successor has a good academic background in economics, having studied in Ankara, Pensylvania and Stanford. He He spent several years as one of his country's representatives in the OECD and rose to become one of the assistant directors of Turkey's Treasury in 1970.

In 1971, he became director of the Labour Placement Office of the Ministry of Labour, dealing with the problems of Turkish workers abroad.

In 1974, he served as Minister of Village Affairs in the brief caretaker government of Mr. Sadi Irmak. His appointment created a precedent in that it was, apparently, the first time that the Turkish Republic had a minister with a foreign wife: Mrs. Aydinoglu is British.

He later became an adviser at the Central Bank and, in 1975, was narrowly defeated in the Senate elections when he stood as a candidate for Mr. Ecevit's party in Izmir.

The experience he has gained and his relatively young age of 45 perhaps make it strange that a man with his rather forceful personality should accept a post traditionally associated with little authority. The answer to this lies in his close relationships with Mr. Ecevit and the Minister of Finance, Mr. Ziya Muezzinoglu.

Co-operation between the three appears to be assured. One suggestion is that Mr. Aydinoglu will give the bank a more active role, though the responsibility for policy may rest with Mr. Muezzinoglu, particularly during the short term when the latter is seeking to right Turkey's parlous finances.

Mr. Aydinoglu himself states that for the time being his aim is to implement the stabilisation programme adopted by the Government. But his long-term aim is "to make the Central Bank a more effective supervisory agency."

At present, 68 per cent of its credits go to the public sector. The new Governor states that "the distribution of credit should be in balance" and that the Central Bank should cease to be "simply the financier of the State Economic Enterprises."

But in setting his task as being to reduce the traditional subservience of the Central Bank to governments he has chosen a challenge which has defeated all his predecessors.

B. S. Y.

Irfan Ozaydinli

Irfan Ozaydinli

THERE ARE very few interior ministers in the world faced with as tough a task as Mr. Irfan Ozaydinli.

Turkey has one of the world's highest death rates from political violence, a problem which appears to have become as endemic and uncontrollable as inflation or unemployment. Hardly a day passes without some form of terrorist violence instigated by either the extreme right- or left-wing groups.

At 53, the well-groomed Mr. Ozaydinli looks more like a successful businessman than a politician or the military man which he was until he quit the Air Force last year. He had been the youngest man in the history of the Turkish Air Force to become a four-star general.

After graduating from the War Academy in Istanbul he went to Britain in 1945 to complete his pilot training. It is to this stay that Mr. Ozaydinli owes his good English. He was the Operations Commander when the Turkish Army attacked Cyprus in 1974.

Mr. Ozaydinli was in line to become the Commander of the Turkish Air Force. But this post was not given to him because Mr. Demirel, Prime Minister in 1977, opposed Mr. Ozaydihli's liberal views. The general resigned in April last year and the next day joined Mr. Ecevit's Republican People's Party. He was elected deputy and was appointed Interior Minister in the Ecevit Government which came to power in January this year.

It was probably owing to his combination of toughness and liberalism that Mr. Ecevit gave Mr. Ozaydinli what was, and continues to be, the most difficult and thankless job in his Cabinet.

His aides say that the former general works almost round the clock spending virtually all his time on the police work to quell the violence. Although more arrests are being made, the violence is far from being quenched, however, and will probably continue to dominate his agenda for as long as he is Minister.

The problems he faces are formidable. Not only is Turkish youth engaged on a minor civil war, but there appears to be a split running through the whole structure of society. When Mr. Ozaydinli became Minister there were times when even the Police Force which was sent out to control mob violence would start fighting among itself. At least that is not happening now.

M. M.

Sakip Sabanci

THE LAST time that Mr. Sakip Sabanci says he cried was in October last year. It was the opening of his group's $104m tyre factory, Lassa, and Mr. Sabanci explains that seeing his dreams become reality moved him as much as might the birth of a son.

Mr. Sabanci must thus expect further such tears. His group, one of the most dynamic in Turkey, is, for example, now negotiating with Mercedes Benz over the establishment of a 10,000-per-year truck plant.

Mr. Sabanci is quick to stress the faith that Turkish businessmen retain in the future, though he adds that the question comes to him of whether the West is now discriminating against Turkey. He complains of the shortages of imported raw materials and parts, labour problems and energy cuts. These mean his own factories have been working at only 50 per cent capacity, yet he says he has been able to ensure "some profits."

Slight and reserved but with the warm courtesy of many such Turkish entrepreneurs, the 45-year-old Mr. Sabanci started as a cashier in one of the flour mills owned by his father, Haci Omer Sabanci. He is now chairman and managing director of the holding company, named after his father.

This company controls more than 20 industrial firms, ranging from textiles and synthetic fibres to vegetable oils and margarines to tyres and cement. It has also just bought into Philips' local operations and is active in insurance.

The lynchpin of the group's activities is the Akbank, Turkey's second largest and most aggressive bank.

Sakip Sabanci

The holding company concept practised by the Sabancis is increasingly seen as one answer to the problem of capital accumulation in Turkey; one year ago 87 such "holdings" were in operation.

Haci Omer himself was a true "original." Like so many Turks he was orphaned during the Ottoman Empire's battles with the British in Yemen. He started his career as a cotton labourer and up till his death, in 1966, he refused to adapt to the wealth he had made through changing his peasant accent or patronising tie shops, expensive tailors or, very often, razors.

He left behind him the Akbank and a flourishing group of companies. But his greatest legacy—according to one rival—was his six sons. These have moved the seat of the group's operations from Adana to Istanbul and continued its remarkable growth. In terms of sales it appears to have overtaken that of the other great group in Turkey, that of Vehbi Koc.

Mr. Sabanci, who has three children, has a reputation for promoting young and able managers: "We have grown beyond the point of being able to put a brother in each place

But the family remain totally in control and though they are selling some shares to the public the question of opening the doors of the boardroom has still to be faced.

"We businessmen are tied by our hearts to the free democratic parliamentary system and the mixed economy," Mr. Sabanci who is president of Turkey's Union of Chambers of Industry says—a claim more frequently heard from Turkey's business men than from their counter parts in some developing countries. Indeed, for all his complaints about labour he has rarely refused a dialogue.

On a recent flight from Istanbul to London he found Mr Abdullah Basturk, president of the radical union confederation DISK, was a fellow passenger. He moved to join him. That night the man who is often spokesman for Turkey's capitalists and the arch advocate of class unionism were to be found at dinner, if not sinking their differences at least in temporary harmony.

D.T.

Abdullah Basturk

ABDULLAH BASTURK was once elected a deputy of the Republican People's Party and he partly owes his present position as president of the radical union confederation, DISK, to the support of RPP unionists.

Yet he is hardly the man most loved by the Government. In the spring, his organisation was taken to the courts when it called for a two-hour strike in commemoration of the death of five students. More recently, it has categorically rejected the Government's vaunted Social Understanding. Now its support for the Government, which it helped put in office, is qualified.

A genial, fatherly 49-year-old, Mr. Basturk tells visitors to his offices—midway between Istanbul Airport and the city's Byzantine walls—that DISK is a "class union" and is anti-capitalist: "Marxism is the science of the working class," he explains.

Since taking office he has continued to mix calls for the improvement of working conditions with demands for the abolition of Articles 141 and 142 of the Penal Code which are used to ban the Communist Party of Turkey.

He also wants the tracking down of the people responsible for Istanbul's "May Day Massacre," in which 34 people were killed in 1977.

He particularly emphasises that fascism has entered the state machinery under the Demirel coalitions and says that fighting this is as important as dealing with limited labour issues.

Such policies have won him little favour in the party of Mr. Ecevit; officials of the RPP even object to being called Social Democrat, arguing this term has overtones of Marxism. Indeed, though having support from RPP unionists in the December, 1977, DISK Congress (where he replaced the militant Mr. Kemal Turkler), he was only their second choice.

The origins of Mr. Basturk and his predecessor differ, the one presiding over Genel Is, which groups 100,000 municipal workers, and the other over Maden Is with its 70,000 workers in the metal-processing industries.

Mr. Turkler has long been known as one of the toughest figures on the Turkish labour scene. He fought for unionism in Turkey during the repression of the 1950s, whereas Mr. Basturk only led Genel Is into prominence in the easier days of the 1960s.

Equally, while Mr. Turkler was one of the founders of DISK, setting it on its present course in 1967 and criticising the Turk Is confederation for "supporting employers," Mr. Basturk only led General Is from the sedate fold of Turk Is to the tougher pastures of DISK in 1976.

Abdullah Basturk

As yet, Mr Basturk has broadly followed the furrow cut by Mr. Turkler. Maybe he has been less interested in supporting periodicals accused under Articles 141 and 142 and maybe he has encouraged less mobilisation against right-wing violence and price rises than would have Mr. Turkler. But, arguably, the real test of his mettle is yet to come.

B.T.

Ziya Muezzinoglu

IN THE conference room behind Finance Minister Ziya Muezzinoglu's office, on a table under a beautifully scribed Ottoman sultan's firman (decree), there is a tray bearing a glass of milk and a small plate of biscuits.

The Finance Minister is suffering from ulcers. He is preoccupied with a problem which plagued his predecessors during the later periods of the Ottoman Empire: how to get rid of the foreign debt and obtain fresh loans.

The Ottoman finance ministers could never solve the problem. The Ottoman debts to the West were paid off by the young republic established by Ataturk, 55 years ago.

Ever since his appointment, Mr. Muezzinoglu has been putting in an average of 12 hours at the office and has not had a day off. An aide recalls that when he went home after an all-night session to catch some sleep, Mr. Muezzinoglu was leaving for the airport to catch a plane to Istanbul to have a talk with industrialists.

Mr. Muezzinoglu has been in finance for 35 of his 58 years. After graduating from Ankara University's well-known Faculty of Political Sciences in 1943, he joined the Ministry of Finance and steadily climbed to the top.

In 1959, he became the Director General of the Treasury and, in 1962, the Under-Secretary of the new State Planning Organisation. Between 1964 and 1971 he was Ambassador to Bonn and later Permanent Representative to the EEC.

He served brief terms as Minister of Finance in 1972 and commerce in 1977, before assuming responsibility for finance again in the new Ecevit Government.

He was elected Republican Peoples Party senator in 1975. He speaks good German, French and English.

His background has equipped Mr. Muezzinoglu well for his present task of putting the troubled Turkish economy into order. He is well acquainted with the workings of the Finance Ministry, Treasury and the Central Bank, as well as the EEC. His critics, however, accuse him of being "too bureaucratically minded."

Sucking a pipe, Mr. Muezzinoglu says that he has inherited "records" from the previous Government in everything—records in foreign debt, inflation, money supply and unemployment.

He is confident that the austerity measures launched in March this year will start stabilising the economy before long.

Most independent observers, however, are not that sure. It is likely that new austerity measures will be needed for which Prime Minister Ecevit is not willing to pay the political price.

In the course of this month there will be crucial talks with the IMF on the release of the vital third tranche of the $450m stand-by credit. Negotiations will be tough. It is likely that the fund will not release the tranche unless new measures are taken. It will be up to Mr. Muezzinoglu to bridge the gap between the views of Mr. Ecevit and the IMF.

M.M.

Ziya Muezzinoglou

Aysel Oymen

"BEING A woman has been neither an advantage nor a disadvantage in my work," says Aysel Oymen. At 44 Mrs. Oymen became the first woman to head the Turkish Treasury when she was given the job by Prime Minister Ecevit.

She could not have been appointed at a more difficult time. Earlier this year they "borrowed money from even the birds which fly overhead," she says, referring to the previous government and the $12.4bn debts of which an outstanding $7.15bn is short-term and in the process of being restructured.

The Treasury is in the central Kizilay district which probably has the most polluted air of any urban area in the world. On the wall there is no sign to indicate that the six-storey narrow building is the Treasury.

Mrs. Oymen works on the first floor behind a table crowded with documents and an overflowing ashtray. She has been smoking two packets of cigarettes a day since she has been Treasurer to Mr. Ecevit.

Mrs. Oymen has been in the finance world since she graduated from a Turkish university and obtained a post-graduate degree on an American scholarship from the Vanderbilt University. The degree was in economic development and balance of payments problems which must come in useful now. For four years after this, she was an attache in Bonn and later represented Turkey at the OECD.

Mrs. Oymen speaks fluent French, German and English. Back in Turkey she became Director General of the Finance Ministry's Department of Economic Relations.

She lost this job when Mr. Demirel came to power. (Mr. Oymen, now the Chief Whip of Mr. Ecevit's Republican Peoples' Party, was not a man well-known for pro-Demirel sympathies.)

Mrs. Oymen concerns herself mainly with the balance of payments and debt restructuring under the OECD and relations with the IMF and the World Bank—all of them crucial under the existing conditions of economic crisis.

She says that despite the difficulties she is full of optimism about Turkey's future because it has "great potential. The problem now is "just a cash crisis."

Mrs. Oymen averages 12 hours a day in the office and has no days off at the weekend. "I don't feel lonely at the office," she says, "because I am never the only one there. The number of people who try to do their best is not small."

M. M.

AN INTERVIEW WITH THE PRIME MINISTER, MR. BULENT ECEVIT.

'...I haven't lost my nerve'

Prime Minister Ecevit and Mrs. Ecevit

FT Can we start with relations with the U.S? In what way do you think the renewal of the U.S. embargo will now affect your relations with NATO?

BE The embargo was a negative factor. The Turkish people with their long background of statehood are aware of their responsibilities, particularly of the responsibility that falls on Turkey as a result of Turkey's geo-political position. As a result, the reaction felt to the American embargo has not resulted in any rash moves in the way of radical changes in Turkey's posture.

With this negative factor removed the way is now open for the revitalisation of Turkish-American relations and co-operation. We have responded to the sincere efforts of the Carter Administration and the constructive attitude of Congress by allowing the resumption of work at those defence installations whose functions were suspended. We believe that it is impossible to dissociate military and economic matters. We stated that we would not be satisfied to confining our military co-operation to *buying material from the U.S.* but we would want to expand the productive capacity of the Turkish economy. We also stressed that Turkey does not want to be or to appear any more as the sharp edge of an alliance in the flank region: that we would want to make our own contribution to detente in our region: Turkey so far has lagged behind almost all other NATO allies in contributing to detente.

The best way of ensuring a country's security is to build up an atmosphere of mutual confidence with all the neighbouring *and regional countries.*

FT You said in the past that the embargo stood in the way of peace in Cyprus and rapprochement with Greece. Now that it has been lifted, how do you see the prospects?

BE The Turkish Cypriot administration has taken the initiatives it could take. It has come out with concrete proposals. It has even extended these, regarding Varosha, as you know, but the Greek Cypriot position has not changed and it is now up to the Secretary General of the UN to call for resumption of the intercommunal talks.

Initiative

FT Do you consider that the ball is in the field of the Greeks in the matter of the Aegean Sea and other problems?

BE As you know, at our initiative again, we started a dialogue with Greece at prime ministerial level, and this has been followed up through high level technical talks on the Aegean problems, relating both to the air space and the continental shelf. Little progress, if any, has so far been made. I think that at some time in the near future it might be a good idea to come together again. It would clear the air psychologically if the Cyprus issue were resolved in the meantime.

FT While Greece, Portugal and Spain are going to become full members of the EEC, are you going to freeze your relations with the Community? Does that mean that Turkey may still want eventual full membership?

BE We are not trying to freeze our relations. On the contrary, we want to revitalise *our relations. So far the* relationship between Turkey *and the EEC has been working* to the disadvantage of Turkey in many respects. The so-called concessions or advantages granted to Turkey lost most of their value. If our co-operation *with the EEC is to mean something* for Turkey's economic development, we would expect our partners in the Community to help us through this period of crisis. We believe that at the *present position of the* Turkish economy we would not be able to apply for full membership.

FT In the current economic crisis why do you think the West has been so slow to help Turkey, far slower than, say, Portugal?

BE I can't give a rational answer to this. I would expect the West to extend more prompt help and co-operation, particularly this year, in view of the courageous measures that the new Turkish Government has taken, with great political risks but with a sense of responsibility. Yet the West has been, to say the least, very slow in considering aid and co-operation. This has created disillusionment in Turkey.

FT Are you confident you will get more money and where do you think it is going to come from?

BE I can't say that I am confident, in view of the pace or amount of the help coming. The rescheduling of our short-term debts has been decided in principle, but it has not yet become fully realised. We have been expecting new credit from the major banks for some months and this has not materialised either. The continuation of this—I would not *say negative but — passive* attitude, would, of course, dis*appoint us regarding our* relationship with our partners in the west. If sufficient support and co-operation is not forthcoming from the west this will inevitably effect the future *direction of Turkey's international* economic relations. However, we would always act in full consciousness of our responsibility to the world as a result of the critical geo-political *position of Turkey.*

FT How united is the Cabinet over your desire to attract foreign investment?

BE There is no difference of opinion in the cabinet or in the party. *In our new party programme* we had already stated that we wanted to nationalise the important minerals. When I was talking to the representatives of private industry and enterprise in Istanbul in the summer, I told them that we would nationalise only the important minerals and the energy resources, that we did not have any other nationalisation plans.

Threat

FT Could I turn to the political scene? *How much of* a threat to democracy do you see in this continuing violence?

BE The wrong interpretations and the wrong measures of the previous Government *enlarged* both the basis and the manifestation of violence in Turkey. They depended on, and encouraged, right-wing militant groups against some left-wing militant groups. Our Government's policy and attitude is to be against all kinds of terrorism, whether it be right or left wing. The result has been that all *terrorists are against the present* Government. What is more, because the efficiency of the state mechanism against terrorism has been increasing in some respects since we took over, *the right-wing terrorists*, who had practically got hold of the state mechanism but lost it after we took over, have become very frustrated. It has been a tantalising experience for them *—they were almost in complete* control and they rightly believe that they have, in the meantime, lost their last chance of obtaining power under democracy. The extreme left-wing terrorists, on the other hand, might have had the illusion that they would find a tolerant attitude from our Government, and they have *been disillusioned. Our main* deficiency and disadvantage has been the condition of the internal security forces, particularly the police. Because we guessed that this would be the weakest point in the administration when we took over, we appealed to the UK as soon as we took over to send us advisers. We got a very *efficient team from* Scotland Yard. I have been in constant dialogue with them personally. We have also been co-operating with the Germans and we have increased the efficiency and co-ordination in the information area. As a result the number of criminals caught in recent months has increased to a degree that could not be imagined before. One bottleneck is the traditionally slow functioning of the judicial mechanism. The courts are very heavily burdened. But we shall *be trying to pass legislation.*

FT Does this mean that you believe that the whole thing can be calmed down without having martial law?

BE *When there is terrorism* and when there are unresolved reasons of factors behind terrorism you can't settle the matter through martial law, although you can make it worse, as we have *seen* in several *countries near and far.* Fortunately for us the Turkish army intends to remain outside politics, particularly in view of past experience and anyway, although the Turkish army did sometimes intervene rightly or wrongly, it never ruled the country, nor wanted to rule the country. We have to eradicate the sources that have bred *terrorism in Turkey over the* years, the socio-economic sources of terrorism. The problems in urban areas cannot be settled radically unless you go to their sources in the rural or agricultural policies or urbanisation non-policies that have been followed in Turkey over the years, which resulted in a tremendous increase in *migration to the cities.* Most people could not find a satisfactory means of livelihood in the cities. The first generation of migrants were still satisfied because they could compare their new homes with the hopeless situation they left behind. But it was obvious, as we expected, that with the second or third generations dis*satisfaction would be sharpened* and serious. In the early 1960s we attacked this problem in one of its facets, that is, we had introduced very liberal labour legislation. But unfortunately land reform was not carried out and agricultural and rural development were very much neglected. Now we are trying to go to the roots of the problem *and trying to start development* from the land.

FT Terrorism has now surely drifted into areas which are potentially more explosive like exploiting racial and religious differences.

BE *They are trying to drift* to other areas as a result of the fact that they can be no more effective in the universities or educational centres or in *factories.* They have been nearly completely eradicated from the public sector and rendered to a large extent ineffective in educational institutions. On the other hand I can illustrate the increasing efficiency in catching the criminals. Today we have over 1,800 people under arrest because of terrorist acts, more *than half of these being right-*wing and less than half being left-wing terrorists. The recent disclosures in the newspapers indicate that the involvement of an extreme right-wing party in the terrorist activities of the Right has become manifest. When one form and area of terrorism is rendered relatively ineffective, they search for other *ways and areas. One obvious* example, as you stated, is the provocation to create hostility and conflict among different religious sects.

Traditionally *we are not a* society that differentiates between ethnic groups. In spite of that, even in Turkey, ethnic differences are exploited by people. It is obvious that Middle East is an important target in this respect, so foreign meddling is a possibility. But I would not want to pass guesses beyond these *generalities. It's a very difficult* period but I haven't lost my nerve.

The pendulum settles in Portugal

BY ROBERT GRAHAM, RECENTLY IN LISBON

THE TERM "crisis" has been used so often about Portuguese politics that it has lost its meaning. In the present political crisis, Portugal has been without a government since mid-September. Eighteen months ago there would have been worried talk about the uncertain future of a shaky democracy. Now there is an extraordinary lack of concern. Neither President António Ramalho Eanes nor the political parties seem the least bit hurried to press for the formation of a new government. The suggestion that President Eanes should have presided over the formation of a new government before beginning his state visit to Britain tomorrow has been quietly forgotten.

This leisurely approach reflects a far greater confidence by the Portuguese in their own inherent stability and a decline in the overall international pressure on Portugal to set its house in order.

Obtaining a coherent view of Portugal is not easy because those most involved with developments are so intensely partisan. Lisbon is a small city, in which the main actors are easily observed. They know each other perhaps too well and all their activities are quickly, often intimately and sometimes scurrilously chronicled. Politics are conducted in a glass bowl, with trivial incidents easily magnified. This permits the more adept actors to exploit the situation through rumour or suspense. The net result is that superficial differences are exaggerated and underlying trends obscured.

In purely domestic terms, the single most significant development over the past year has been the greatly increased use of presidential powers by President Eanes. In July, he chose to dismiss the faltering Socialist-Christian Democrat government of Sr Mario Soares. He then used his constitutional powers to appoint a Prime Minister, Sr Alfredo Nobre da Costa, unconnected with the political parties, the result of which was the formation of a technocrat government, Centre-to-Centre-Right in complexion.

This government lasted only 17 days. It was brought down by the combined opposition of all the political parties except the Social Democrats (PSD). Sr Nobre da Costa fell ostensibly because Parliament rejected his programme. However, his government was really brought down because the politicians—and not least Sr Mario Soares, nursing the bruised pride of presidential dismissal—sough to make the point to the President that the political parties had been voted in by the electorate and therefore could not be ignored by the President when orchestrating the formation of a new goverment.

Bruised pride

To placate the politicians, President Eanes has now designated as Prime Minister Sr Carlos Mota Pinto. This is a clever choice: Sr Mota Pinto was parliamentary leader of the PSD until he resigned in 1975 and is now an independent. As a lawyer, he fits more into the mainstream of Portuguese tradition (like Sr Soares), while Sr Nobre da Costa is an engineer with a business background. Although the President has been obliged to defer to Parliament, he appears to have won acceptance of two important points: first, he can dismiss Prime Ministers and designate new ones of his own choice—the constitution allows him to do this three times during his four-year term of office: secondly, the politicians now have no objection in principle to independents in government. Without the Nobre da Costa experiment, such a principle could not have been established.

Just as important, Sr. Nobre da Costa, with his business background, had a no-nonsense style that led him to tackle head-on the thorniest issues like land reform and compensation for nationalisations made during the 1974 revolution. In so doing, he broke a psychological barrier which will now make it much easier for his successor to carry on. One of the more curious spectacles in Portugal today is the dismissed Nobre da Costa government, as caretaker, still continuing with the emotive policy of restoring land in the Alentejo—the *Latifundia* (large estates) in Southern Portugal—to the original owners, a substantial minority of them foreign, from whom it was taken by peasants in 1974. The Soares government approved legislation for the restoration of title but was afraid to implement it, fearing Communist opposition and objections from its own Left-wing. This restoration is now being carried out, in many instances, by force.

Sr Mota Pinto, when he finally forms a government, is expected to adopt a programme similar to that of Sr Nobre da Costa. If this is the case, it means that President Eanes has managed to steer political programmes on a more pragmatic

President Ramalho Eanes (left)—greatly increased use of presidential powers. He dismissed the faltering Socialist-Christian Democratic Government of Sr Mario Soares (above), in July.

course, which is no small achievement. President Eanes has begun to fill the vacuum in Portuguese politics created by the absence of any one political party holding a clear parliamentary majority and the consequent need for coalitions or minority rule. Sr Soares's failure to make either minority rule or coalition work exposed the difficulties of forming a government on the basis of the present elected Parliament. Further, the constitutional limits on President Eanes now make for two basic choices—either the Mota Pinto government prepares for early elections in the spring or it must survive through to 1980 when elections are due.

Even if new elections produce a parliamentary shake-up, the move towards presidentialism has major implications. For a start, when the Portuguese approved their constitution in 1976 the President was conceived as an arbiter—and an arbiter not so much between politicians but between politicians and the military. The President himself is a military man and that was the reason for his selection. But circumstances have so changed in Portugal that the concepts of two years ago have been largely overtaken. The military, through some skilful weeding out of left-wingers, have been placed in the background by President Eanes. The Armed Forces Council of the Revolution, designated as the custodian of national life in the constitution, has changed political complexion and swung towards the Right. It still meets, but does not seek to influence events and would probably be unwise to do so.

More generally, the country's turbulent introduction to democracy has left it with a constitution and institutions of increasing irrelevance. The constitution is a woolly, contradictory document full of heady concepts that characterised the Left-wing's control of national life in the early days of the revolution. It reflected the dominant influence of the Stalinist orthodoxy of the Communist Party and the strong presence of the military. Arguably, it was even out of step when promulgated because then the shift away from revolutionary fervour and Communist dominance had been firmly established.

The constitution is unsatisfactory in delineating the relationship between Parliament and President and the specific functions of both. If presidentialism is to be encouraged, and there is evidence that this has important support among certain Centre and Right-of-Centre politicians, then a change in this respect is all the more necessary. Equally important, the constitution ducks the issue of what type of society Portugal should aspire to. Yet written into the document are certain items about collectives and State control that are at odds with Portugal's commitment to joining the European Community. Joining the Community implies acceptance of a liberal market economy, and adherence to the Treaty of Rome would de facto, if not de jure, alter some legal provisions.

The Communist Party will fight hard to protect the constitution. Any change would rebound as a lessening of Communist influence. However, the Communist influence is already much less noticeable. The country's economic plight forced the Communists earlier this year to go along with the tough IMF conditions for granting financial assistance. The real source of Communist strength, the powerful trades union organisation Intersindical, has ceased to be so dogmatic and so overtly political in its demands. The main consideration is now preservation of jobs and living standards because the Communists also realise that by being too dogmatic they risk losing members to other union groups which are gaining ground.

Soviet neglect

The strength of the Communist party has also been sapped by its continued isolation within the European Communist parties, which find no sympathy with the rejection of Eurocommunism by its leader, Sr. Alvaro Cunhal (though of late his rejection has been slightly qualified). It is further noticeable how the concern about Soviet interest in an unstable Portugal in 1974 has disappeared. In Lisbon, most politicians believe that the Soviet Union accepts Portugal as an integral part of the Western/American sphere of influence. Indeed, it now seems that Moscow's main interest in the revolution was to exploit the Portuguese Communist Party's contacts with Angola and Mozambique to strengthen its presence there as the two countries emerged from colonial rule—and in this it was highly successful.

The removal of international tension over Portugal has had a subtle, but significant stabilising effect. This has been aided by the smooth manner in which neighbouring Spain has effected the transition from dictatorship to democracy. Portugal, it is worth remembering, had its revolutionary upheaval just at the moment when the twilight of Franco promised major political unknowns in Spain. The Iberian peninsula now has a bourgeois democratic face, a completely different political complexion from 1975 when Franco was dying and the Left still had control in Portugal.

The very toughness of the IMF and Portugal's Western allies in lending money this year to Portugal suggest that they no longer accept the argument of granting soft terms because of the threat that the country will otherwise either revert to the military or return to unstable extremism. This said, Portugal's international friends do not underestimate the precariousness of its economy. No country at Portugal's stage of development can afford to have a payments deficit equivalent to 9 per cent of GNP, as it was before the IMF imposed belt-tightening terms in March. Among Portugal's West European and American allies, there seems a quiet consensus on the continued need, and willingness, to finance it for the foreseeable future to ensure the overall strength of Europe. This point is likely to be made to President Eanes this week by his hosts in Britain, Portugal's oldest ally.

Letters to the Editor

Not a silent pawn

From the Chairman, Wilkinson Group

Sir,—With a tightly knit team of directors of undoubted calibre, I have followed (without inheritance) a paternal entrepreneur in the construction of a company (we employ 800 people) which is the source of both profit and pride, for those who work within it, and the object of respect and recognition from those outside it. Our growth in every positive respect is well above national average.

So that it is with absolute assurance that I vigorously castigate the prevalent theme of the CBI conference. Agreed Bullock is a nonsense, because it concentrates upon narrow confines, and not upon the realistic objectives which effective participation can bring to an organisation. But it is an anachronism to suggest that a company will survive and prosper given only good profits and unfettered highly remunerated leadership.

Look back into history. In feudal times the rapacious leader, profitable and well remunerated, could only survive while his power permitted. But the leader who adopted, while still of strong character, a humanitarian approach to those in subjugation to him, established united communities and some hope of continuity.

This lesson applies equally in the democratic world of the 20th century. While leaders of industry should rightly be adequately remunerated, and while our present levels of taxation are penal and cripple even that sensible growth, which would itself release constructive tax growth, to regard the average worker as a silent pawn in this formula is absolute nonsense.

The worker is entirely within his or her rights to have an opinion about his or her employer's decisions. As a chairman, I recognise that my decisions, and those of my board, can be rendered successful or destroyed by the support or otherwise of our workforce. In a unified company in which the objectives of managers and men (whom I regard as one group of people), of company and unions are identical, the probability of success is far higher. Thus real industrial democracy is essential. Lack of unity is the major cause of the UK's industrial malaise, cultivated by Conservative and Socialist politicians, certain categories of industrial leader and of trades unionist, and by that iniquitous sector, the uninterested (and thus parasitical) shareholder.

There is a fundamental superiority in driving leadership tempered by example and humanity, over driving leadership on its own. You can drag an unwilling horse to water. . . . In the British manager and workforce who have the most thoughtful and able horse in the world, but this horse must be ridden by knowledgeable, industrious men of integrity and humanity. A fine mettled steed needs a rider of calibre.

Tony Wilkinson.
Wilkinson Group,
Carlton-in-Lindrick,
Worksop, Notts

Policy on lorries

From Mr. J. Denham

Sir,—In his defence of Department of Transport plans for an inquiry into lorry weights (Lombard November 8) Colin Jones manages to find virtue in the very part of the leaked memorandum which has scandalised the environment movement. He sees nothing wrong in civil servants proposing an inquiry which would support the Department's views that weight limits should be increased.

Unfortunately for this line of defence, it is not the Department of Transport's view or policy that lorry weights should be increased. The Secretary of State has repeatedly said so, and he confirmed this to a deputation of environmentalists, including myself, on November 8. It is disturbing to find that one or more senior civil servants were acting as though it were Department policy. Either the public face of the Department is different from the private face, or civil servants were conspiring to change their Minister's stated policy. Whichever is the case, it can hardly be defended as the proper conduct of Government.

John Denham,
Transport Campaigner,
Friends of the Earth,
9 Poland Street, W1.

Monetary system

From Mrs. C. Sheeken

Sir,—Mr. Brian Sedgemore is to be commended for disclosing the contents of the Treasury working paper on the European Monetary System to the general sub-committee of the Commons Expenditure Committee.

The decision to join the EMS, a prelude to full economic and monetary union, should not be taken without the consent of Parliament and people, and they can only reach a considered decision if all the available information is placed before them. What has been revealed by Mr. Sedgemore is that the Prime Minister and the Chancellor were attempting to mislead the committee by putting before the members a Treasury memorandum outlining the background of the proposals but containing none of the harsh forecasts contained in the Treasury document with which Mr. Healey was confronted when he appeared before the Committee.

If there is a "price to pay" (shades of 1971) surely we are entitled to know what it is and say whether we are prepared to pay it.

(Mrs.) Charlotte Sheeken,
33, Green Way, Bromley, Kent.

Quality and reliability

From Mr. D. Hutchins

Sir,—I welcome Mr. Hattersley's proposal to canvass opinion on the desirability for a national strategy for quality assurance on British industrial goods. I also welcome Mr. Hattersley's suggestion that the time had come for a national drive to reassert the quality of British goods. I believe that such a drive is now long overdue and the impetus gained as a result of National Quality and Reliability Year, held in 1967, should have been the commencement of a continuing campaign rather than an isolated event.

I think it was a grave mistake of the Government around 1970-1971 to have withdrawn financial support for the British Productivity Association, at a time when it was well known that our markets were being threatened by Japanese and other foreign goods. Particularly when these same goods were being sold on the basis of a better reputation for quality and reliability than their British counterpart.

Since Quality and Reliability Year there have been many important developments in this field, which if implemented could have a profound effect on a company's performance. With the exception of a few enlightened companies, these developments are simply not being taken up by industry. Developments along the lines suggested by Mr. Hattersley are crucial to the re-establishment of Britain's reputation as a trading nation.

D. C. Hutchins,
Executant,
29, Octagon Parade,
High Wycombe, Bucks.

Above average intelligence

From the Managing Director, Zenith Electric Company

Sir,—Referring to Mr. Lisney's letter of November 9, I do not believe that the so-called shortage of skilled labour is anything to do with the level of intelligence of the work force (except perhaps to demonstrate that it is higher than many people would suspect).

In fact, I doubt if, in aggregate, there is any shortage of skilled labour at all, because there are plenty of skilled workers unemployed in various parts of the country. The problem is a structural one—beloved of Hayek, Friedman, et al, and the Welfare State ensures that it is not economically worthwhile for unemployed skilled labour to move to areas where there are shortages.

J. H. Pogmore,
Cranfield Road, Wavendon,
Milton Keynes

Skilled staff

From Mr. E. Gurney

Sir,—Mr. Lisney is, of course, right (November 9). There is a great shortage of skilled professional and technical people in UK industry and this during a self-inflicted slump: what would happen if we were ever to have an upturn in the economy can only be surmised.

The employee/demand ratio he postulates has, of course, been evident as a trend for some years. The pyramid of yesteryear has become pear-shaped and this is reflected in the type of response received from recruitment advertising—the ratio, to take typical examples per £1,000 of advertising space in the national Press—is approximately two replies from well qualified technical men in a growth industry to 350 replies for a managing director. That is how it is:

E. R. Gurney
E. Roland Gurney and Partners,
30 Milsom Street, Bath

The use of labour

From Mr. B. Gleadow

Sir,—Mr. Lisney (November 9) contrasts the large number of unskilled and unemployed with the employers who are crying out for skilled labour. He concludes firstly that shortening the working week is no solution to unemployment since it does not get at the above problem. I second that. He also asks whether we might now have to accept permanently high unemployment levels among the less gifted or less skilled. The answer is definitely not.

There are at least three solutions to this problem, raise differentials and/or tax employers according to their use of skilled labour and/or subsidise the employment of unskilled labour (e.g. youths). Indeed, strange as it may sound, there is a very good reason for making such differentials/taxes/subsidies large enough to result in a disproportionately large number of skilled people on the dole, and for the following reasons.

The skilled or the intelligent tend to be versatile whereas the unskilled tend not to be, and it is precisely those on the dole who are likely to have to find a job for which they are not ideally suited, i.e. a job at which their versatility is required. Indeed this solution to unemployment is used without thinking about it by managers and foremen throughout the country. A manager or foreman allocates the skills available to him in such a way as to ensure, inter alia, that none of his unskilled people are out of a job. And that frequently results in a skilled person (perhaps the foreman himself) not doing the job at which he is best, but the job which makes the best use of his versatility.

It is high time we applied this principle to the economy as a whole. Indeed it is ironic that economists have not tumbled to a solution to unemployment which is second nature to every manager and foreman.

Brian Gleadow,
4, Newcastle Terrace, Durham

Health and safety

From the Secretary, Health and Safety Commission

Sir,—In reply to Mr. James Tye (November 6) the reason why the Health and Safety Commission is concerned about Crown immunity is that it regards it as a matter of principle the Crown bodies should be treated equally with other public employers and the private sector under the Health and Safety at Work Act and that Crown employees should receive equal protection under the law. For example, is it justifiable that local education authorities should be liable to prosecution when area health authorities are not? The commission's case for the law to be amended to permit this is now with Government.

It is not true that the commission has issued instructions not to prosecute individual Crown employees (Paul Taylor's otherwise excellent article of October 31 was mistaken on this point). The commission has made it clear that Crown employees will be prosecuted wherever there is wilful or reckless disregard for health and safety in the same way that employees in private industry would be prosecuted. Nevertheless, individual Crown employees will not be used as scapegoats and prosecuted as substitutes for the Crown bodies concerned, i.e. where a non-Crown employer would have been prosecuted.

Finally, as explained clearly in Paul Taylor's article, if a Crown employer does fail to comply with the Crown notice procedure which has been instituted pending a change in the law, then the Health and Safety Executive will make a formal approach to a higher authority in the organisation concerned and, if necessary, the chairman of the commission will take the matter up with the responsible Minister. This is not, in our view, an effective alternative to prosecution. It is the best we can do under the law as it stands.

Pat Tenten,
Regina House,
259 Old Marylebone Road, NW1.

Today's Events

GENERAL

Mr. James Callaghan, Prime Minister, is principal guest speaker at Lord Mayor of London's Banquet, Guildhall.

European Central Bankers' two-day monthly meeting begins in Basle.

European Parliament meets in Strasbourg (until November 17).

Danish Foreign Minister, Mr. H. Christophersen, in London.

International Air Transport Association annual meeting in Geneva.

Association of Scientific, Technical and Managerial Staff statement on petrochemical industry.

Talks (likely to last 10 days) resume in London between UK and Scandinavian Airlines Systems on new air service agreement.

London Chamber of Commerce and Industry forum on Finance and Payments in Algeria, Tunisia, and Morocco.

Environmental Pollution Control Exhibition: Effluent and Water Treatment Exhibition and Conference; and Public Works and Municipal Services Congress and Exhibition, all open at the National Exhibition Centre, Birmingham (until November 18).

National Education Week opens.

Mexican Week opens at Holiday Inn, Chelsea.

Royal Variety Show, London Palladium.

PARLIAMENTARY BUSINESS

House of Commons: Nurses, Midwives and Health Visitors Bill, 2nd Reading: Pensioners Payments Bill proceedings.

OFFICIAL STATISTICS

Central Statistical Office publishes index of industrial production (September, provisional).

Department of Trade gives provisional figures for October retail sales, and third quarter figures for turnover of the catering trades.

COMPANY RESULTS

Final dividends: Concentric, E. J. Riley (Holdings). Interim dividends: Cope Sportswear, Harrisons and Crosfield, C. E. Heath and Co, Norwest Holst, Rothschild Investment Trust, Seccombe Marshall and Campion, Unilever. Interim figures: Commercial Union Assurance Company.

COMPANY MEETINGS

See Financial Diary on page 38.

SPORT

Boxing: Dave Proud (Penge) v. Micky Minter (Crawley), Cunard Hotel, London.

LUNCHTIME MUSIC, London

Grahame Jones gives a piano recital at St. Lawrence Jewry, Gresham Street, 1.00.

Jonathan Rennert gives an organ recital at St. Michaels, Cornhill, 1.00.

COMPANY NEWS

Exchequer levy hits Westward TV profit

MR. PETER CADBURY, chairman of Westward Television, yesterday announced a 40 per cent increase in revenue for the year to July 31, 1978, to £7.9m, and estimated that the current year would show a further rise to £8.5m.

Trading profits also advanced from £1.36m to a record £1.77m, but a near doubling of the exchequer levy from £676,199 to £1,107,496 reduced pre-tax profit to £661,143, compared with £681,277.

Below the line, a reduction in corporation tax from £381,136 to £244,721 left earnings per share up from 3.05p to 4.23p.

A maximum dividend of 1.8425p net is recommended. The final is 1.245p, payable December 11.

The profit included a £316,000 trading loss on Air Westward, the airline venture which began in May last year. Mr. Cadbury says that Air Westward is proving successful. The group has every reason to believe it will reach break even by early next year and the next results should include a profit contribution from it.

Westward has taken full advantages of tax allowances on depreciation of aircraft and technical equipment for the television studios, but although it is possible to write off aircraft costs in the first year the group has chosen to depreciate them at a rate of 16 per cent per year in the accounts.

On the television side, Mr. Cadbury says that the company's share of national advertisement revenue in ITV has increased to more than 2 per cent. Advertisement sales are currently running at 20 per cent above the comparative figures for last year.

Westward intends to buy an outside broadcasting unit next year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Cope Sportswear, Elswick Hopper, Harrisons and Crosfield, C. E. Heath, Norwest Holst, Rothschild Investment Trust, Seccombe Marshall and Campion, Unilever, Unilever N.V.

Finals:—Concentric, E. J. Riley.

FUTURE DATES

Interims:—

Arbuthnot Latham	Nov. 14
Bristol Evening Post	Dec. 5
Chapman (Balham)	Dec. 12
Dixon (David)	Nov. 15
London Prudential Investment Tst.	Nov. 15
Rediffusion	Nov. 24
Whessoe Watson	Nov. 29
Wight Construction	Nov. 15

Finals:—

Fenner (J. H.)	Nov. 27
J. C. E. G.	Nov. 14
Long and Hambly	Nov. 16
Ransome Hoffmann Pollard	Dec. 12
Scottish Cities Investment Trust	Nov. 16

Properties valued at March 31, 1978, stood at £11.73m. Net asset value per ordinary 25p share was 203.5p (188.5p at March 31, 1978).

The valuation of investments at September 30, 1978, was £124.29m against £114.88m at March 31, including the investment currency premium of £14.96m (£14.57m). The valuation has benefited from the continuing strong performance of the UK stock market.

British Invest. Trust sees further rise

Despite current international uncertainties, the directors of the **British Investment Trust** feel confident that the upward trend in earnings should be maintained in the current year.

Total revenue for the half-year to September 30, 1978, rose from £2.79m to £2.98m and net revenue was £1.66m against £1.39m.

	Half-year 1978 £000	1977 £000	Year 1977-78 £000
Franked revenue	1,909	1,715	3,783
Unfranked	851	822	1,961
Deposit interest	126	136	272
Total revenue	2,976	2,793	3,607
Manage. expenses	141	147	251
Interest	139	339	505
Tax	1,022	898	1,878
Net revenue	1,664	1,299	2,841
Preference div.	28	28	77
Interim ordinary	1,329	1,244	1,244
Second interim	—	—	1,634

An interim dividend of 2.45p (2.2p) has already been declared to reduce disparity—the previous total was 4.85p.

Overseas markets also rose and although the benefits were diminished by the decline in the dollar premium and the strength of sterling, the trust's underlying investments have generally provided a superior performance.

Mack makes good headway

Although turnover of **Mack Organisation**, horticultural produce distributor, remained static at around £22m, pre-tax profits for the year to April 30, 1978, jumped from £89,632 to £168,618.

Looking ahead Mr. Matthew Mack, chairman, says prospects continue to be encouraging. First quarter results both in turnover and profitability show an increase

Dalgety raises $ loan

Dalgety has raised a $125m (£63m) 10-year loan from a consortium of U.S. banks, Mr. David Donne, the chairman, told the annual meeting.

Of the total, $30m will be used to replace shorter term borrowings. The remainder will finance acquisitions and additional capital spending in North America. Mr. Donne pointed that the group had substantial frozen food interests in the U.S. and it intended to develop those further both through acquisitions and investment.

The aim of the international food and "agribusiness" group was to balance each of its three main regions—Australia and New Zealand, North America, and Europe and the UK. At presnt North America only accounted for about 21 to 22 per cent of business, while Europe (including the UK) represented over 40 per cent.

Mr. Donne also said that the group proposed to continue an aggressive acquisition policy worldwide. "We have several possibilities in our distant sights," he said. "Having raised cash in sterling throuh our recent rights issue and now with dollar loans we are in a strong financial position to make acquisitions.

SECOND CITY

The directors of **Second City Properties** announce that the holders of £31,358 nominal of the 7 per cent convertible unsecured loan stock 1992-97 have exercised their rights to convert into ordinary shares. Accordingly, 65,703 new 10 shares have been issued.

Kalamazoo plans for new DP era

ENTRY INTO the micro computer field is planned by Kalamazoo. The group is currently conducting extensive research and development in this area and plans to market a range of systems using the new technology early in 1979, says Mr. T. B. Morland, the chairman.

The future aim of the group is to provide a complete range of answers to business systems problems no matter how large or how complex the organisation it serves. In pursuit of this it became involved in a number of developments during the past year, all of which are proceeding according to plan. They include additions and refinements to its range of manual systems, extension of its mini-computer and bureau system, and software services.

Group taxable profit for the year to August 1, 1978, was up 12.9 per cent at £3.72m before a £547,000 (£498,000) bonus to the company's workers' alliance which owns 51.5 per cent of the equity. Sales were 19.1 per cent better at £21.48m and the net dividend is raised to 2.262p (1.9361p) per 10p share—as reported October 19.

On a current cost basis along the Hyde guidelines profit before bonus was cut to £3.49m by extra cost of sales of £94,000 and deduction of a £136,000 gearing adjustment. Depreciation, at £1.17m, on the historic accounts already reflected inflation.

Over the last three years the company has deliberately built up its cash reserves significantly. At the end of 1977/78 current assets included short term loans of £3.03m (£1.65m) and bank and cash balances amounted to £156,000 (£204,000).

Profit margin on sales was down 1 per cent at 17.3 per cent. This was the result of the directors' attempt to contribute to the fight against inflation by keeping prices to an absolute minimum, the chairman comments.

In September this year Kalamazoo Finance was established to fund the rental of computer equipment.

Meeting, Birmingham, on December 5 at 11.30 am.

FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Novo Industri B (section: Overseas—Copenhagen).

Prestwich Parker (Section: Engineering).

Delay on final payout of R-R liquidation

HOLDERS of R-R Realisations, the former Rolls Royce Ltd. (in liquidation), face a further wait for another distribution. The joint liquidators in their report for the year to October 7, 1978, say they are still unable to recommend a further payment at this stage.

An estimated £40.8m remained available to stockholders, equivalent to 61.7p per £1 share of which 55p has already been paid.

Considerable progress has been made on outstanding matters during the year but few of these are proving obstinate. Every effort is being made to bring the liquidation to a conclusion and enable a final distribution as soon as possible, the liquidators explain.

During the year the property at Lerveaden and part of the property at Bristol were disposed of and also the shareholding in Short Bros. The principal outstanding assets are property at Bristol, 50 per cent in Bristol Aero Jet, and a claim for approximately £200,000, plus interest, against the West German Government, which is the subject of continuing action in the West German courts.

All agreed claims of creditors have been paid, but there remains a small number of claims totalling a significant amount which are the subject of current litigation.

Improvement for Hensher

Current sales and profits at **Hensher (Furniture Trades)** are better than last year and the satisfactory demand for the company's products should mean improved results for 1978-79, says Mr. Arthur G. Hensher, the chairman.

For the year to March 31, 1978, trading profit was slightly down at £430,842 (£441,666) due to losses in subsidiaries but sales were up 8½ per cent and the pre-tax surplus was higher at £610,530 (£553,396)—as reported November 1. The net dividend is raised to 1p (1.1p) per 10p share.

At year end net liquidity was up £288,481 (£213,625) with bank overdrafts of £23,070 eliminated and cash of £217,720 (£374,533) and £628,341 (£206,117) in local authority loans.

Meeting, Connaught Rooms, WC, December 5, at noon.

Medminster well ahead in first quarter

Profitability of Medminster for the first quarter of the current year is well in advance of the similar period last year, says Mr. John Delaney, the chairman, in his annual statement.

As reported on October 18, pre-tax profits rose from £136,763 to a record £202,714 on reduced turnover of £4.68m (£8.09m), for the June 30, 1978, year.

A breakdown of turnover and trading profits shows:—furniture hire and sale £307,265 (£408,160) and £172,104 (£127,480), shipping and forwarding £4,168,299 (£7,397,485) and £40,934 (£60,697), aviation £1,013 (£1,387) and £6,712 (£2,631) and distribution nil (£90,393) and nil (£1,370 loss).

At the year-end, liquidity was up by £116,002 (£259,837).

Meeting, Abercorn Rooms, EC, December 6, noon.

PROFITS SLIP AT CASSIAR

Net profits at Cassiar Asbestos, the Canadian producer, slipped to C$13.1m (£5.63m) in the first three quarters of this year from C$16.3m in the same period of 1977, reports John Soganich from Toronto.

But earnings for the three months to September moved up to C$4.8m, or 88 cents a share, from C$3.8m, or 69 cents a share in the third quarter last year. Fibre sales were 48,060 tons against 38,175 tons in the comparable quarter of 1977.

The sales figure was achieved despite a strike at the mine in northern British Columbia, which started on September 13 and is still going on. The company's Clinton mine in the Yukon has been closed because the ore is exhausted.

Cassiar meanwhile is engaged in a joint venture with Teck Corporation and Union Carbide Canada which, writes Robert Gibbens from Montreal, has found indications of "a significant anomaly" containing high grade tungsten. The anomaly was located during a geochemical survey, Teck stated.

PAHANG CONSLD.

The Malaysian tin-mining Pahang Consolidated reports a net profit for the year to July 31, 1978 of M$1.22m (£281,600) which compares with a loss of M$1.89m in the previous year: the latter figure, however, was reached after debiting M$5.14m in extraordinary items which mainly represented a loss on sales of investments and a writing-down of investments.

A single dividend of 2.5 per cent gross on the 25p shares has been declared for the past year. It compares with a total of 15 per cent for 1976-77 which was made up of two interims.

● NEWMAN ACQUISITION

The Swiss connection

BY TERRY GARRETT

For connoisseurs of takeover deals, Newman Industries purchase of the outstanding shares in Avdel International NV has virtually everything, including a little known Swiss charitable foundation as the vendor and a fleeting association with Mr. "Tiny" Rowland's Lonrho.

Today shareholders will meet to decide on the deal, which could radically alter the shape of Newman.

Last February Mr. Alan Bartlett, chairman of Newman, announced his plans to buy a 31.2 per cent stake in Avdel, which manufactures a range of mechanical fasteners for industry, at a cost of £2.4m. At the same time Newman laid out a further £205,000 for an option to acquire the rest of Avdel from the Swiss foundation—set up by the founder of Avdel. This option is now being exercised nine months before it expires.

The background to the bid starts with a controversial deal with Thomas Poole and Gladstone China in 1975. In a heavily criticised transaction Mr. Bartlett, who was chairman of both companies, arranged for Newman to take over the shareholdings that Thomas Poole had in four quoted companies, at a cost of £325,000.

In stages

During the next couple of years Newman picked up the rest of the equity in three of the companies concerned—Agar Cross, Alfred Clough and Dover Engineering.

Newman's ability to make acquisitions was restricted by its financial resources. By staggering the purchases in this way it was able to improve the performance of companies which needed the injection of management to lift profitability.

Last year these three companies produced half of Newman's profits.

The next question for the Newman Board, determined to grow by acquisition, was whether to go for another company where it thought it could improve profits by working on the existing framework or to aim for a profitable company with existing good management.

Around the same time Lonrho was showing an interest in Newman. In January, 1977, Lonrho bought a 19.3 per cent stake, mainly from Thomas Poole, for over £876,000. Lonrho directors were not discounting the possibility of a full take-over in the future and three Lonrho directors, including Mr. Rowland, joined the Newman Board.

Deal taking shape

Possibly that involvement, with the financial muscle that could come with it, was influencing Mr. Bartlett's planning, for it was now that Avdel first came into the picture—a sizeable acquisition for Newman to contemplate.

Evidently U.S. suitors were taking a hard look at Avdel, but its existing management was more interested in finding a UK buyer. However within a few months the Lonrho-Newman honeymoon was over.

It is here that the Swiss foundation the Stanley T. Johnson Foundation, came on the scene publicly. The foundation—which owned two-thirds of Avdel—bought out Lonrho for £1.31m only to sell the shares to Mr. Bartlett and some UK institutions a few months later.

At this point, the latest deal started to take shape, though other suitors for Avdel were still on the sidelines and Newman could not digest Avdel all at once.

At the beginning of this year Newman bought its first stake in Avdel with the option to buy the rest for SwFr23m. Part of the agreement was that if Newman had not acquired all of Avdel by next summer the foundation had the right to buy Avdel shares back for $2.7m—a £2m loss to Newman.

Newman was keen to get its hands on the rest of Avdel not only because of the new dimension that it would add to the group, but because the sterling equivalent of the option price was steadily rising. By the time Newman came up with its latest proposals the sterling price had risen from £6.65m last June to £7.34m.

Though Avdel is a Dutch registered operation, that is purely a holding company. The group was started in the UK just before the last war to manufacture "blind rivets" of the type used in the aircraft industry. From that base Avdel has expanded its production into the U.S. and Germany with a range of "fastener systems" and the machinery to instal them. Moth of the fasteners are of the type where access is limited to one side, and they find themselves in use as far afield as Concorde and Honda motorcycles.

Avdel's profits record is a little less exciting than its product. In the years from June 30, 1974, to 1978 sales have increased from £14m to £26m, but following trading profits of £2.7m in 1973-74 there was a downturn in the next two years to a low point of £1.9m before a recovery to £3.38m this year.

Much higher interest charges reflecting Avdel's spending on new plant, restricted the improvement at the pre-tax level where the latest profits are only £2.4m against £2.8m in 1973-74.

Newman is a far more diversified group, with interests in engineering, electric motors, pottery, castings and construction equipment. Its performance was far from inspiring until 1974 whe nthe reorganisation of the UK and sharp increase in high margin overseas sales trebled profits to £1.6m. In 1976 there was a small setback but profits pushed forward last year and more than doubled to £4m. Newman is forecasting £5m this year before including Avdel, which will lift the total to over £7m.

Major funding

Though Newman was keen to take over Avdel there was no way that it could borrow enough money to take up its option. Borrowings were already standing at over £10m compared with net worth of £14.1m. So Newman has come up with a major funding exercise whereby it will raise £3.4m by a placing of preference shares and a further £3.9m from its shareholders by a rights issue.

In its attempt to keep the borrowings reasonably in check refinancing of Avdel has been necessary. This has involved a revaluation of Avdel's UK plant almost doubling its value to nearly £7m and a sale and leaseback of plant valued at £3.5m.

Oddly enough it is the foundation which is buying the plant from Avdel. The reason according to Mr. Bartlett is that he could not complete a leasing deal in the UK as the leasing companies were suffering from a shortage of funds.

Even so the pro-forma balance sheet for the enlarged group shows net debt of £16.8m compared with tangible shareholders funds of £19.6m.

The entire cost of Avdel works out at £11.45m. For that Newman is acquiring a company with net assets last June (before the revaluation and sale and leaseback) of £5, and profits of £2.4m.

Today could mark shareholders ratification of a very complicated deal, but there is little doubt that the ambitious Mr. Bartlett has others up his sleeve for the future.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Barnsley Metro. (0226 203232)	12	½-year	250	5-12
Barnsley Metro. (0226 203232)	11½	½-year	250	3-6
Chorley (02572 5611)	11¾	½-year	1,000	3-7
Exeter (0392 77888)	12	½-year	500	6-7
Knowsley (051 548 6555)	12¼	½-year	1,000	6-10
Manchester (061 236 3377)	11	½-year	500	3
North Kesteven (0529 303241)	11¾	½-year	1,000	5-7
Poole (02013 5151)	11	½-year	500	2-3
Poole (02013 5151)	11¾	½-year	500	6-7
Poole (02013 5151)	11¾	½-year	500	5
Redbridge (01-478 3020)	11¾	½-year	200	6-7
Salisbury (0722 24285)	11½	½-year	100	5-7
Sefton (051-922 4040)	11¾	½-year	2,000	4-7
Southend (0702 49451)	10¾	½-year	250	3
Wrekin (0952 505051)	12¼	yearly	1,000	5-10

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 24.11.78.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12	12¼	12½	12½	12½	12½	12½	12½

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI". FFI is the holding company for ICFC and FCI.

INTERNATIONAL COMPANY NEWS

Japan Government steps to aid of textile house

BY YOKO SHIBATA

TOKYO, Nov. 12.

THE JAPANESE Government has taken steps to assist an ailing textile trading house, Ichimura Sangyo, by shelving repayment of Government loans worth Y3.28bn ($17m) for three years. The loans were originally due to mature next year.

The Government's rescuing measure was notified to the five major synthetic fibre manufacturers, headed by Toray, and eight banks, headed by Hokkoku Bank which have been appealing to the Government since last September.

Except for the case of Sasebo Heavy Industries, an ailing medium-sized shipbuilder in Kyushu, which is being rescued in part with Government assistance, state involvement in rehabilitation of a private company is highly unusual. The government was concerned that the failure of Ichimura Sangyo would damage the structural reconstruction programme of the textile industry, which is being carried out by the Ministry of International Trade and Industry (MITI).

Ichimura Sangyo borrowed a total of Y78bn from the Government's funds for structural remodelling in the 1960s and the last loan is scheduled to mature in 1984. The MITI and the Ministry of Finance are to examine the further possibility of cutting the interest burden on loans to Ichimura Sangyo.

Encouraged by the Government assistance, the rescuing group has started to work out a reconstruction programme which calls for the establishment of a second company to carry on Ichimura Sangyo's business and the rescheduling over 16 years of the existing company's debts, amounting to Y28.9bn.

Mr. Tsuguhide Fujiyoshi, the president of Toray, has announced that a second company will be formed this year, with the decision to this effect to be made shortly at a meeting of the presidents of five major synthetic fibre manufacturers, Toray, Teijin, Asahi Chemical Industries, Unitika and Kuraray. Under the provisional reconstruction plan, the second company will be capitalised at Y1bn. However, the general trend is to thrust debts upon Toray as much as possible, since Toray is the largest creditor among companies involved in the reconstruction. As a result, Toray is likely to finance about 40 per cent to 45 per cent of the capital of the new company, with 20 per cent shared by Teijin, Asahi Chemical, Unitika and Kuraray, and the rest by the eight banks.

Profits fall at Teijin

TEIJIN, the major Japanese synthetic fibre concern, has reported a fall of 40.5 per cent in net profits for the first half, to Y179m ($950,000) from Y301m in the same period last year. Before tax and special items, however, there was a return to profit at Y3.96bn, compared with a deficit of Y2.44bn.

The company's sales for the six months to September declined 3.4 per cent to Y171.84bn ($914m), from Y177.93bn.

The interim dividend is again passed.

The lower taxed profit was attributed to an appraisal loss of Y3.12bn on shares of Nigeria Oil Company, a Japanese oil development company in which Teijin has an interest of 11.2 per cent.

Of the total sales, exports rose to Y10.67bn, from Y5.55bn, with the export of a polyester fibre plant worth Y9.6bn to China.

Reuter

UT opens formal bid for Carrier

By John Wyles

NEW YORK, Nov. 12.

UNITED TECHNOLOGIES today announced the formal start of its $1bn takeover bid for the world's largest air conditioning manufacturer, Carrier Corporation.

The merger is being aggressively resisted by Carrier but the formal launch of United's tender offer was made possible by the decision last week of the New York State authorities to register the offer. The New York Attorney General, Mr. Louis Lefkowitz, held the first hearings ever under the state's takeover legislation last month after Carrier had asserted that United's disclosure was inadequate.

The first phase of United's acquisition bid is based on a tender for 49 per cent of Carrier's outstanding common stock at $28 per share. In its announcement today United said that it would also accept Carrier's convertible preferred stock which would be valued as the equivalent of 1,815 per share of common stock. Dealer manager for the offer, which closes December 4, is Lazard Freres.

With its 40 per cent premium over Carrier's stock market price at the time the offer was announced at the end of September, United's bid is given a fair chance of success. However, the possibility of Carrier negotiating a merger with a "white knight" is being speculated upon and even if United acquires its target shareholding and then completes the merger it could run foul of anti-trust laws. The Justice Department is investigating the proposed acquisition and Carrier has itself filed an anti-trust suit against United.

United manufactures jet engines, helicopters, elevators and a range of other products. Under Mr. Harry Gray, its chairman (United has aggressively diversified over the last eight years to reduce its dependence on Government business. As a result the company's sales exceed $3 bn a year and a merger with Carrier would add another $1.8 bn.

Astra plans to restructure

By John Walker

STOCKHOLM, Nov. 12.

ASTRA, the Swedish pharmaceuticals group, is continuing its disinvestment programme, as part of a large scale restructuring programme. The latest company being disposed of is Astra-Dinol, which includes a majority shareholding in the U.S. company Tuff-Kote Dinol, which is being acquired by Nynas Petroleum, a company belonging to the Johnson Shipping Group.

So far no price has been disclosed. Completion is expected by the end of this year.

Earlier, under the restructuring plan, Astra disposed of Alco, the maker of cleansing agents, as well as Swix, the manufacturer of waxes for skis.

Higher payout at Tooth

BY JAMES FORTH

SYDNEY, Nov. 12.

TOOTH AND CO, the major New South Wales brewer, has raised its interim dividend from 5.5 per cents a share to 6 cents, following a 13.4 per cent increase in profit, from A$4.5m to A$5.1m (U.S.$3.8bn) in the half-year to September 16. Gross revenue for the period jumped 48 per cent, from A$82m to A$121m (U.S.$139m) reflecting the recent acquisitions of Courage Breweries and Wright Heaton.

The directors pointed out that while beer prices were increased in April and August, this only recouped the "severe increase" in excise duty imposed in August in the Federal Budget. Courage Breweries incurred losses of A$149,000 in the half-year, but Wright Heaton contributed A$117,000 to group profits.

The managing director of Tooth, Mr. H. Alce said that in the face of a declining beer market, he expected an aggressive marketing war both at interstate level and between brewers within their own states.

CGE sales up

Cie Generale d'Electricite (CGE) the French electrical and electronics group, has reported consolidated sales for the first nine months of the year of FFr24.70bn ($5.6m) up by 10.1 per cent from the year-earlier total of FFrs 22.44bn. AP-DJ reports from Paris.

Currency, Money and Gold Markets

The fall and rise of the $

BY COLIN MILLHAM

European interest rates appear to have moved in different directions, at different times, and for different reasons over the last month or so, but just as the sun dominates the heavens, so the dollar has dominated the money markets.

London is a slightly different case, with many reasons put forward and analysed for the decision to lift Minimum Lending Rate to 12½ per cent last week. UK interest rates have been forced up as a response to domestic problems, but even here uncertainty over the dollar has played a part. The rise to 8½ per cent in the Federal Reserve discount rate at the beginning of this month, was a factor behind the rise in MLR—just as market rates had already marched up, with one eye on events in New York.

The performance of the dollar has also pushed and pulled around interest rates in other European centres. The original weakness of the U.S. currency caused strains within the European currency snake, and a sharp rise in interest rates in countries with relatively weak currencies, as they struggled to keep up with the D-mark. Short-term Euro-guilder interest rates shot up to 30 per cent early last month, but are now back to a normal 8 per cent, as the dollar has improved and the pressure has come off the snake.

Dutch domestic interest rates have also eased, with commercial banks announcing a cut of 1 per cent in interest rates on commercial accounts on Friday, while the central bank took steps to improve liquidity in the money market ahead of the tax paying season.

As the dollar fell, so rates in Holland and Belgium rose, with a rise of 1 per cent to 8½ per cent in the Dutch bank rate on October 13, following an increase of 2½ per cent to 8½ per cent in Belgium's Lombard rate on October 11.

Now the situation is reversed, and Belgium interest rates are also falling. Short-term Belgian Treasury certificate rates were cut three times last week, with the three-month falling to 9.25 per cent from 10 per cent, as the Belgian franc improved against the D-mark.

In Frankfurt call money fell below 1 per cent on Friday, reflecting the highly liquid state of the German money market, following the Bundesbank's intervention to support the dollar.

GOLD

	Nov. 10	Nov. 9
Gold Bullion (a fine ounce)		
Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fixing	[illegible]	[illegible]
Afternoon fixing	[illegible]	[illegible]
Gold Coins domestically		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
Gold Coins internationally		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]
$10 Eagles	[illegible]	[illegible]
$5 Eagles	[illegible]	[illegible]

CURRENCY RATES

November 10	Special Drawing Rights	European Unit of Account
Sterling	[illegible]	0.678206
U.S. dollar	[illegible]	1.33541
Canadian dollar	[illegible]	1.56712
Austrian schilling	[illegible]	18.4219
Belgian franc	[illegible]	39.5169
Danish kroner	[illegible]	6.95784
Deutsche Mark	[illegible]	2.52072
Guilder	[illegible]	2.72688
French franc	[illegible]	5.75373
Lira	[illegible]	1138.41
Yen	[illegible]	[illegible]
Norwgn. krone	[illegible]	[illegible]
Spanish peseta	[illegible]	[illegible]
Swedish krona	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]

THE DOLLAR SPOT

November 10	Day's spread	Close
Canad'n $	85.20-85.37	[illegible]
Guilder	2.0358-2.0500	2.0350-2.0380
Belgian Fr	29.57-29.70	29.63-29.65
Danish Kr.	5.2875-5.2300	5.2075-5.2109
D-Mark	1.8865-1.8940	1.8865-1.8825
Port. Esc	45.90-46.25	45.90-46.10
Span. Pta	70.88-71.88	70.88-70.93
Lira	838.20-840.00	838.50-839.00
Nrwgn. Kr.	5.0200-5.0390	5.0200-5.0220
French Fr	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]

FORWARD AGAINST $

	One month	% p.a.	Three months	% p.a.
Canad'n $	[illegible]	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]
Port. Esc	[illegible]	[illegible]	[illegible]	[illegible]
Span. Pta	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]
Nrwgn. Kr.	[illegible]	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]	[illegible]

THE POUND SPOT / FORWARD AGAINST £

Nov. 10	Bank rate %	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish K.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Port. Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Span. Pes.	8	138.30-140.30	139.40-139.50	90-190 c.dis	-12.06	420-520 c. dis	-13.48
Lira	10½	1,649-1,652	1,649½-1,650½	2-5 lire dis	-2.52	7-10 c. dis	-2.04
Nrwgn. K.	7	9.86-9.91	9.87½-9.88½	1½ orepm-½ dis	0.30	1½-½ ore dis	-0.91
French Fr.	9½	8.41½-8.48	8.42-8.45	4½-3½ c.pm	5.34	11½-10½ c. pm	5.32
Swedish Kr.	6½	8.52-8.56½	8.53-8.54	4-2 ore pm	4.21	8½-6½ ore pm	3.63
Yen	3½	365-375	370½-372½	4.10-3.80y pm	12.84	11.1-10.8y pm	11.76
Austria Sch.	4½	27.10-27.50	27.10-27.75	15-5 gro pm	4.42	40-30 gro pm	5.16
Swiss Fr.	1	3.18½-3.22	3.19-3.20	3½-2½ c.pm	12.21	11½-10½ c.pm	14.08

Belgian rate is for convertible francs. Financial franc 59.70-59.80.

Six-month forward dollar 2.30-2.20c pm; 12-month 4.30-4.15c pm.

OTHER MARKETS

Nov. 10	£	$		Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Finland Markka	[illegible]	[illegible]	Denmark	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	9.37-9.395	4.7725-4.7775	Italy	1610-1680
Iran Rial	NA	70.40-70.70	Japan	370-380
Kuwait Dinar (KD)	0.527-0.537	0.2705-0.2710	Netherlands	3.95-4.05
Luxembourg Franc	58.25-58.35	29.63-29.65	Norway	9.82-9.92
Malaysia Dollar	4.2785-4.2935	2.1750-2.1770	Portugal	90-110
New Zealand Dollar	1.8485-1.8555	0.9407-0.9434	Spain	141½-145½
Saudi Arabia Riyal	6.46-6.56	3.3050-3.3250	Switzerland	3.15-3.25
Singapore Dollar	4.26-4.275	2.1730-2.1750	United States	1.97-1.98
South African Rand	1.6957-1.7217	0.8627-0.8760	Yugoslavia	41½-45½

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Nov. 10	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.968	3.710	371.5	8.425	3.195	4.003	1650	2.305	58.15
U.S. Dollar	0.508	1.	1.885	188.8	4.281	1.623	2.034	838.5	1.171	29.55
Deutsche Mark	0.270	0.530	1.	100.1	2.271	0.861	1.079	444.8	0.621	15.67
Japanese Yen 1,000	2.692	5.297	9.987	1000.	22.68	8.600	10.77	4442.	6.203	156.5
French Franc 10	1.187	2.336	4.404	440.9	10.	3.792	4.751	1959	2.735	69.02
Swiss Franc	0.313	0.616	1.161	116.3	2.637	1.	1.253	516.5	0.721	18.20
Dutch Guilder	0.250	0.492	0.927	92.82	2.105	0.798	1.	412.3	0.576	14.53
Italian Lira 1,000	0.606	1.193	2.248	225.1	5.105	1.936	2.425	1000.	1.396	35.24
Canadian Dollar	0.434	0.854	1.610	161.2	3.656	1.386	1.737	716.1	1.	25.23
Belgian Franc 100	1.720	3.384	6.380	638.9	14.49	5.494	6.883	2838	3.963	100.

MONEY RATES

NEW YORK

Prime Rate	10.75
Fed Funds	9.6875
Treasury Bills (13-week)	8.62
Treasury Bills (26-week)	9.38

GERMANY

Discount Rate	3
Overnight	0.95
One month	3.0
Three months	3.85
Six months	3.85

FRANCE

Discount Rate	9.5
Overnight	7
One month	7
Three months	7.25
Six months	7.5

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.25
Bills Discount Rate	4.428

LONDON MONEY RATES

Nov. 10 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	4-11	—	—	—	11	3-11	—	—	—
2 days notice	—	—	12¼-12½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	11⅞	—	—	—	—
7 days notice	—	10¾-11½	11⅞-12½	—	12¼	—	10-11	—	—	—
One month	12⅛-12⅛	11⅞-12⅛	11⅞-12⅛	12⅛	12½	12¼	11-11¾	11⅝-11⅞	12½	12½
Two months	12⅛-12⅛	12⅛-12⅛	—	12-12⅛	12⅝	12⅝	11-11½	11⅝-11⅞	12⅛	12½
Three months	12½-12⅛	12⅛-12¾	11¾-12⅛	12-12⅜	12¾	—	11¾	12-12⅛	12⅛	13
Six months	12⅛-12	12⅛-12¼	11¾-12⅛	12⅜	12¾	—	—	—	12⅛-12¼	13
Nine months	12⅛-11⅞	12-12⅛	—	12-12⅜	12¾	—	—	—	—	—
One year	12⅛-11¾	11⅞-12¼	11¾-12⅛	12⅛	12¾	—	—	—	—	—
Two years	—	—	12½-12¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 12⅛-12⅝ per cent; four years 13 per cent; five years 13⅛-13⅛ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 12⅞ per cent; four-month trade bills 13 per cent.

Approximate selling rates for one-month Treasury Bills 11⅞-11⅞ per cent; and two-month 11⅞-11⅞ per cent; three-month 11⅞ per cent. Approximate selling rate for one-month bank bills 12⅛ per cent; two-month 12⅛ per cent; and three-month 12⅛ per cent; one-month trade bills 12⅛ per cent; two-month 12⅛ per cent and also three-month 12⅛ per cent.

Finance House Base Rates (published by the Finance Houses Association) 13 per cent from November 1 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 8½-9 per cent. Clearing Bank Base Rates for lending 11½ per cent. Treasury Bills: Average tender rates of discount 11.9638 per cent.

UK PENDING DIVIDENDS AND ISSUES

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*Airfix Inds.	Nov. 29	Int. 1.229
*Akroyd and Smithers	Nov. 23	Sec. Int. 7.754
*Arbuthnot Latham	Nov. 14	Int. 1.95
AB Foods	Dec. 14	Int. 0.7033
Associated Communications	Dec. 9	Int. 2.772
Associated Dairies	Dec. 14	Int. 0.43
*Associated Newspapers	Nov. 22	Int. 1.796
*ANZ Banking	Nov. 20	Final 12 cents
Avon Rubber	Nov. 30	Final 3.275
*BPB Industries	Nov. 29	Int. 3.6
*Barlow Rand Group	Dec. 11	Finals due
Bass Charrington	Dec. 7	Final 3.211
*Beecham	Nov. 15	Int. 3.35
Berry Wiggins	Oct. 5	Final nil
*Boots	Nov. 16	Int. 2.5 forecast
Borthwick (Thos.)	Nov. 24	Final 5.5
Brit. and Comm. Shipping	Nov. 17	Int. 4.25
*British Sugar	Dec. 7	Final 13.812
*Brockhouse	Nov. 23	Final 2.024
*Brown Shipley	Nov. 15	Int. 4
Burton	Dec. 7	Final 0.5
*Charter Consolidated	Nov. 15	Int. 925
*Chloride	Nov. 15	Int. 1.74
*Courtaulds	Nov. 22	Int. 2.405
Daily Mail and General Tst.	Nov. 29	Int. 4.092
Dawson International	Dec. 6	Int. 1.7565
Distillers	Dec. 15	Int. 2.496
Dobson Park Inds.	Dec. 15	Final 1.296
Elliot (B.)	Dec. 5	Int. 2.455
*French Kier	Nov. 22	Int. 0.73
Genl. Electric	Dec. 5	Int. 2.0
Gt. Univ. Strs.	Dec. 9	Int. 3.40375
Guinness (A.)	Dec. 14	Final 4.457
Guthrie Corpn.	Dec. 14	Int. 6
Hall (Matthew)	Dec. 5	Int. 1.7095
*Hambros	Nov. 21	Int. 27.625
Hanson Trust	Dec. 7	Final 3.3397
I.C. Gas	Dec. 13	Int. 4
ICL	Dec. 13	Final 4.825
K Shoes	Dec. 15	Final 1.5
*Land Secs.	Nov. 14	Int. 1.5
Lyons (J.)	Dec. 8	Int. 2.069
MEPC	Nov. 30	Final 1.7
ME Electric	Nov. 22	Int. 2.96
*Metal Box	Nov. 21	Int. 6.6
Meyer (Mont. L.)	Dec. 14	Int. 1.7
National and Coml. Bnkg.	Dec. 1	Final 1.7829
Norcros	Dec. 9	Int. 1.6
Northn. Foods	Dec. 7	Final 2.1
Pilkington Bros	Dec. 7	Int. 5.762
*Powell Duffryn	Nov. 23	Int. 3.5
Prop. Hay's Wharf	Nov. 24	Final 3.325
*RHP	Dec. 12	Final 2.4622
Racal Electronics	Dec. 1	Int. 1.7
*Rediand	Nov. 29	Int. 2.094
*Rothschild Inv. Tst.	Nov. 13	Int. 1.5
*600 Group	Nov. 30	Int. 1.5
Scot. and Universal	Nov. 22	Int. 2.26
Scrck	Dec. 13	Final 3.94
*Skelchley	Nov. 14	Int. 1.75
Smiths Inds.	Nov. 8	Final 4.2602
*Smith (W. H.)	Nov. 14	Int. 1.84345
Staflex Inds	Nov. 8	Int. nil
Std. Chartered Bank	Dec. 6	Int. 7.75
Swan Hunter	Oct. 11	Final 2.459
Tesco	Nov. 22	Int. 0.7064
Trafalgar House	Dec. 14	Final 2.62
Tunnel Hldgs.	Nov. 23	Int. 3.25
UKO Intnl.	Dec. 1	Int. 2.81
Unigate	Dec. 15	Int. 1.37
*Wedgwood	Nov. 17	Int. 3.5
Whitbread Investment	Nov. 25	Int. 1.2914
Wilkinson Match	Dec. 13	Int. 3.782

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

BASE LENDING RATES

A.B.N. Bank	11½%
Allied Irish Banks Ltd.	11½%
American Express Bk.	11½%
Amro Bank	11½%
A P Bank Ltd.	11½%
Henry Ansbacher	11½%
Associates Cap. Corp.	11½%
Banco de Bilbao	11½%
Bank of Credit & Cmce.	11½%
Bank of Cyprus	11½%
Bank of N.S.W.	11½%
Banque Belge Ltd	11½%
Banque du Rhone	12 %
Barclays Bank	11½%
Barnett Christie Ltd.	12½%
Bremar Holdings Ltd.	12½%
Brit. Bank of Mid. East	11½%
■ Brown Shipley	11½%
Canada Perm't Trust	11½%
Cayzer Ltd.	11½%
Cedar Holdings	11½%
■ Charterhouse Japhet	11½%
Choulartons	11½%
C. E. Coates	11½%
Consolidated Credits	11½%
Co-operative Bank	*11½%
Corinthian Securities	11½%
Credit Lyonnais	11½%
Duncan Lawrie	11½%
The Cyprus Popular Bk.	11½%
Eagil Trust	11½%
English Transcont.	11 %
First Nat. Fin. Corp.	12 %
First Nat. Secs. Ltd.	12 %
■ Antony Gibbs	11½%
Greyhound Guaranty	11½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	†11½%
Julian S. Hodge	12½%
Hongkong & Shanghai	11½%
Industrial Bk. of Scot.	10 %
Keyser Ullmann	11½%
Knowsley & Co. Ltd.	13½%
Lloyds Bank	11½%
London Mercantile	11½%
Edward Manson & Co.	12½%
Midland Bank	11½%
■ Samuel Montagu	11½%
■ Morgan Grenfell	11½%
National Westminster	11½%
Norwich General Trust	11½%
P. S. Refson & Co.	11½%
Rossminster	11½%
Royal Bk. Canada Trust	11½%
Schlesinger Limited	11½%
E. S. Schwab	12½%
Security Trust Co. Ltd.	12½%
Shenley Trust	11 %
Standard Chartered	11½%
Trade Dev. Bank	11½%
Trustee Savings Bank	11½%
Twentieth Century Bk.	12½%
United Bank of Kuwait	11½%
Whiteaway Laidlaw	12 %
Williams & Glyn's	11½%
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month deposits 9¼%.
† 7-day deposits on sums of £10,000 and under 9%, up to £25,000 9¼%, and over £25,000 9½%.
‡ Call deposits over £1,000 9%.
§ Demand deposits 9%.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
42½	F.P.	24/11	46	44	Arncliffe Hldgs.	44	...	g2.66	2.4	8.7	7.1
A$0.80	F.P.	—	70	67	Ashton Mining 50c	67	−3	—	—	—	—
101	F.P.	22/11	400	345	Ferranti New	362	...	b5.75	11.9	2.4	9.5
‡‡	F.P.	24/11	36½	27½	Manor Nat Grp. Motrs.	28½	...	f2.14	1.5	11.4	11.2
‡‡	F.P.	—	122	110	Rightwise	112	...	—	—	—	9.9

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
£99⅝	F.P.	—	99⅝	99½	Anglesey Variable 1983	99⅝	...
¶	£10	4/1	10⅛	9⅝	Bristol Waterworks 7% Prf. 1983	10	...
£100	nil	16/11	7pm	1pm	Crosby House 10% Conv. '87-90	1pm	...
‡‡	F.P.	1/12	110p	105p	Hanna 11% Cum. Pref.	108p	...
‡	nil	—	3½pm	1½pm	Hongkong Land 8% Loan	1½pm	...
‡	F.P.	26/10	155	119	Prov Laundries 12% Cuv. cf/£c	155	...
£97½	£10	25/1	9½	9	Rickmansworth & Uxbridge Water 7% '83	9½	...
‡‡	F.P.	—	122	105	Rightwise 10% Conv. Uns. 1985	122	+1
£99½	£50	10/1	48	46	Southwark Corp. 12½% Red. 1987	46	−1
£97½	£10	26/1	9¾	9½	West Kent Water 7% Pref. 1983	9½	...

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date		1978 High	1978 Low	Stock	Closing Price p	+ or −
60p	F.P.	7/11	24/11	67½	65½	Astbury & Madeley	67½	...
45	F.P.	30/10	24/11	[illegible]	57	Blackwood Hodge	57	−1
67	Nil	—	—	8½pm	6½pm	Capper-Neill	6pm	...
14	F.P.	16/10	30/11	[illegible]	15	Change Wares	16	...
265	F.P.	8/10	17/11	322	[illegible]	Dewey	307	...
88	Nil	17/11	8/12	19pm	15pm	Fothergill & Harvey	18pm	...
56	F.P.	25/10	14/11	57	45	Pawson (W. L.)	56	−2
166	F.P.	8/11	8/12	196	175	Pifco Products	178	...
12	F.P.	27/10	17/11	14½	13	Yorkgreen	14½	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✦ With warrants.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at November 7, 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	128.09
Clive Fixed Interest Income	113.69

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London EC3V 3PB. Tel.: 01-623 6314.
Index Guide as at November 9 1978

Capital Fixed Interest Portfolio	100.02
Income Fixed Interest Portfolio	100.01

I.G. Index Limited 01-351 3466. Three month Gold 212.3-215.8
29 Lamont Road, London SW10 0HS.
1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

MINING — INSURANCE — WORLD STOCK MARKETS

Mr Hancock on the war-path

BY LODESTAR

LAST WEEK in conversations with mining men who have interests in Australia the main debating point was the Commonwealth Government's new minerals export policy recently announced amid a storm of controversy by Mr. Doug Anthony, the Deputy Prime Minister. It was not a move that pleased the industry, which is fighting a world-wide *battle against costly* and ever increasing bureaucratic interference in its operations.

The phrase that was particularly disliked was that "exporters who wish to enter into negotiations under new or existing contracts will be required to obtain specific approval before making any offers or responding to any offers or entering into any commitments."

Misjudgments

Then on Friday I heard the views of that ebullient Western Australian iron ore magnate Mr. Lang Hancock. As usual they were highly coloured by his well-known antipathy to bureaucracy in any shape or form. But they reflected much of what had been said during my previous discussions with the mining fraternity.

Mr. Hancock reckons that of the many regulatory exercises Canberra has used to stifle Australia's development none could be more effective than the weapon of export licences, the setting up *of a government* export monopoly. He recalled many classic examples of past governmental misjudgments, starting, of course, with the Menzies embargo on iron ore exports imposed "with typical lack of knowledge" because it was considered that Australia would be importing iron ore by 1963. Instead the country has become one of the world's largest exporters.

There was the disastrous iron ore pricing interference in 1963 and then the imposition of price *controls* on beach sand minerals, the scandal of the Fraser Island beach-mining closure and the "incredible delays and confusions concerning uranium development." Mr. Hancock claims that Mr. Anthony has already clamped down on a coal contract resulting *in the loss of A$800m (£53m) in* foreign exchange, "incomprehensible in Australia's present financial situation." Mr. Hancock says.

He agrees that some producers may find it attractive to form a *common selling* organisation to deal with Japan but thinks that they should be free to do this without government compulsion. But any attempt at such co-operation would be illegal under the Trade Practices Act. So, "we now see the ultimate logic of the bureaucracy: what was illegal yesterday will tomorrow be compulsory."

The Government seems to be defending its latest edict, which has been condemned by the Premiers of two of the big mining states, Western Australia and Queensland, by citing it as a defence against U.S. anti-trust legislation, saying that prices in *particular "should be seen to be* dictated by government policy."

It is pointed out that many of the mining groups involved come within reach of such legislation, hence the long drawn out uranium cartel imbroglio. There is also an undoubted desire by the Government to try to present a united front to the Japanese who are only too adept at playing one company off against another in their understandable desire to obtain the best possible terms.

But in Mr. Hancock's view the Australian *mineral* exporters, whom he describes enthusiastically as "some of the best-informed, most experienced, hardest-headed and sophisticated international trading figures on the face of this globe," are well able to look after themselves.

Competition

After all, he concludes, it is world economic conditions and the competition of mineral exporters in other countries that primarily dictate contract quantities and prices not governments. If prices are dictated by them, whether anything can be sold on terms so imposed is another matter. The Australian zircon producers found out that to their cost.

Mr. Hancock admits that "even the most outrageous manifestations of Connorism by the present Government see some of the heads of Australian industry agreeing with them in public." But his final shot is that they are doing so only in the hope that "the crocodile will devour them last."

* * *

Those who are bold enough to believe the depression in the South African gold share market may have been overdone and that the time has now come for *buying not selling will be interested* to know that brokers' circulars seem to be homing in on one particular share, Stilfontein, described by a leading Johannesburg firm as "one of the most highly-geared uranium situations."

In London the shares at 378p are reckoned by Galloway and Pearson to be "an exciting gold-uranium speculation with short-term high dividend pay-outs." Uranium production is expected to start early in 1980 under a long-term sales contract.

Time to look again at accident policies

BY OUR INSURANCE CORRESPONDENT

AMONG insurers issuing personal accident policies, whether individual or group, it is almost standard practice for them to say that they will pay if the policyholder, or person insured "shall sustain accidental bodily injury caused by violent and visible means which injury shall solely and independently of any other cause result in his death or disablement . . ."

These words, or *something* very similar, are used by insurers not only in Britain in personal accident contracts but widely throughout the English-speaking world.

By using these or similar *words*, insurers are clearly anxious not to provide cover for death or disability that stems not from accident but from natural causes, or a combination of both. In the insurance reference books and law reports there are judicial decisions that show how *these various restrictive* words are to be interpreted.

It is clear all the consequences of an accident, however unusual, are covered by this kind of wording unless and until the chain of causation has broken. *For example, in Smith-v-Cornhill* in 1938, where the policyholder was involved in a motor accident, fell into water in a dazed condition and then died of shock, it was held that insurers must pay.

Less simple, perhaps, is the case in which the policyholder has some physical defect which is aggravated by accident, so that the combination of physical defect and accident result in disablement. On the "solely and independent" wording any death or disablement attributable partly to some pre-existing physical cause would at first sight seem not to be covered.

Following this line of thought, I was surprised to read in October's Current Law at paragraph 109, of a Canadian insurance dispute — *Robins-v-Travellers Insurance Co.* — heard in the Ontario High Court.

The policyholder had died from heart failure induced by a motor accident, and the medical evidence *showed* that the heart was previously diseased but that its failure was caused by the accident.

Insurers contended that they were obliged to pay only for death from injury which was the "direct and independent" cause of the loss, and that the policyholder's pre-existing heart condition was a part cause of his death. But the judge decided that disease was neither a basic nor contributory cause to the death and that insurers must pay.

Of course judges can err, or constrain legal rules to do what *they* hold to be justice in the particular case. I admit it was with this kind of immediate reaction that I turned to the reference books, only to find the Canadian case is one of a long line of similar rulings by courts in the English-speaking world.

For some 60 years the courts have sought to mitigate the rigour of the "solely and independently" kind of restriction by saying, for example, where the policyholder has nothing more than a predisposition to a particular disability, or if his disability is latent and the accident triggers the disability into activity, then any claim following this accidental trigger is covered.

In one leading case decided in Britain by the Judicial Committee of the Privy Council *in 1917 —Fidelity and Casualty of New York v. Mitchell*—the dispute concerned a policyholder who had been travelling in a sleeping car when he was thrown to the floor and suffered a wrist sprain. He became disabled for a long while because he had latent tuberculosis.

Insurers repudiated the claim, saying that the injury had not arisen "directly, independently and exclusively of all other causes," but the judges held that the tubercular condition was not a fresh intervening cause and that the policyholder could recover.

Taking the logic of these cases to its extreme, insurers would seem to be hard put to it to turn down on "solely or independently" grounds a claim for death or disablement, for head injury by a policyholder with an egg shell skull, or of a death by bleeding from haemophilia.

Personal accident policies, particularly travel accident policies, are sold against the minimum of information provided by the policyholder. If insurers do not ask positive questions about the proposer's pre-existing physical condition it seems that since *the operation of the Statement of* Insurance Practice agreed last year between insurers and the Government, they cannot complain about non-disclosure. Since the publication of the Statement of Insurance Practice, insurers *have had to re-draft* many personal proposal forms, and maybe the Canadian case of *Robins v. Travellers* provides a timely reminder for another look at those used for personal accident risks.

Indices

NEW YORK—DOW JONES

	Nov. 10	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 3	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	807.98	805.97	807.61	808.97	814.88	825.11	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	85.24	85.56	86.41	85.39	85.44	85.85	90.85 (4/1)	85.24 (10/11)	—	—
Transport	213.82	210.98	211.58	211.14	215.04	216.64	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	98.24	98.80	98.04	97.57	98.31	98.31	110.98 (5/1)	97.53 (31/10)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	16,766	25,550	25,560	25,320	28,890	28,070	—	—	—	—

— Basis of index changed from Aug. 24 ... ● Day's high 815.75 low 798.88

Ind. div. yield %	Nov. 3	Oct. 27	Oct. 20	Year ago approx.
	5.77	5.89	5.67	5.57

STANDARD AND POORS

	Nov. 10	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 3	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	105.52	104.98	105.05	104.27	105.61	107.85	118.71 (12/9)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	94.77	94.42	94.45	93.85	95.19	96.18	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Nov. 8	Nov. 1	Oct. 25	Year ago (approx.)
Ind. div. yield %	5.16	5.13	5.09	[illegible]
Ind. P/E Ratio	8.81	9.04	9.05	[illegible]
Long Gov. Bond yield	[illegible]	8.68	8.67	7.83

N.Y.S.E. ALL COMMON

Nov. 10	Nov. 9	Nov. 8	Nov. 7	1978 High	1978 Low
52.72	52.52	52.48	52.22	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Nov. 10	Nov. 9	Nov. 8
Issues Traded	1,848	1,850	1,852
Rises	952	850	682
Falls	471	591	769
Unchanged	425	409	401
New Highs	—	8	1
New Lows	—	59	106

MONTREAL

	Nov. 10	Nov. 9	Nov. 8	Nov. 7	1978 High	1978 Low
Industrial	205.22	202.77	205.65	202.45	222.14 (11/10)	152.90 (16/2)
Combined	203.88	203.58	208.90	203.37	225.81 (13/10)	170.82 (30/1)
TORONTO Composite	1216.2	1216.2	1212.7	1210.6	1532.7 (13/10)	998.2 (30/1)
JOHANNESBURG Gold	255.7	256.9	240.6	(u)	272.0 (14/2)	186.0 (20/4)
JOHANNESBURG Industrial	268.4	270.2	274.8	(u)	281.8 (1/11)	194.9 (13/5)

	Nov. 10	Previous	1978 High	1978 Low
Australia(¶)	530.13	531.78	568.79 (22/9)	411.19 (1/3)
Belgium (‖)	98.35	97.98	101.16 (8/6)	90.43 (25/6)
Denmark (**)	88.60	88.66	92.95 (14/3)	88.03 (30/10)
France (††)	73.4	73.1	86.0 (4/10)	47.5 (2/3)
Germany(††)	827.60	817.03	863.8 (19/10)	759.4 (17/3)
Holland (‡‡)	83.2	83.5	93.1 (11/8)	76.0 (4/4)
Hong Kong (§§)	575.09	565.41	707.70 (4/8)	383.4 (13/4)
Italy (‖‖)	70.93	70.95	82.95 (26/9)	55.45 (10/1)
Japan (a)	441.20	440.92	441.45 (6/11)	364.04 (4/10)
Singapore(b)	—	371.25	414.50 (6/9)	252.0 (9/1)
Spain (d)	93.63	93.97	110.78 (9/6)	87.89 (17/5)
Sweden (e)	364.49	365.02	408.00 (4/8)	325.74 (3/1)
Switzerld(f)	281.5	277.6	323.7 (14/2)	261.5 (26/9)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000, the last named based on 1975). + Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
McKee Corp.	359,600	32½	+3½
General Motors	238,400	56½	−¾
Chrysler	214,400	10½	−⅛
Sterndent	211,600	20	−⅜
El Paso Co.	207,000	15⅜	+⅜
Carrier & Gen.	208,600	24⅝	+1⅛
Amer. Elec. Power	190,000	21⅜	−⅛
Pan Am Air	177,600	7⅛	+⅛
Gulf Oil	169,900	25	+⅛
Amer. Tel. & Tel.	153,000	60½	+⅛

EUROPE

AMSTERDAM

Nov. 10	Price Fls.	+ or —	Div. %	Yld. %
Ahold (Fl. 20)	112	+1.7	A28	5.0
Akzo (Fl. 20)	29.2	−0.5	—	—
Algem Bk (Fl. 100)	368	+1	A22.5	7.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRUSSELS/LUXEMBOURG

Nov. 10	Price Frs.	+ or —	Div. Frs. Net	Yld. %
Arbed	2,200		—	—
Bekaert "B"	2,555	−15	116	4.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPAIN

November 10	Per cent	
Asland	122	—
Banco Bilbao	276	−2
Banco Atlantico (1,000)	238	—
Banco Central	300	—
Banco Exterior	266	−2
Banco General	252	−4
[illegible]	[illegible]	[illegible]

TOKYO

Nov. 11	Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	364		14	2.3
Canon	[illegible]	−6	12	1.8
Casio	892	+3	25	1.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPENHAGEN

Nov. 10	Price Kroner	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIENNA

Nov. 10	Price %	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCKHOLM

Nov. 10	Price Kronor	+ or —	Div. Kr.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

Hong Kong $	Nov. 10	Nov. 3
[illegible]	[illegible]	[illegible]

GERMANY

Nov. 10	Price Dm.	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND

Nov. 10	Price Fr.	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRAZIL

Nov. 10	Price Cruz	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Turnover [illegible]. Source: Rio de Janeiro SE.

JOHANNESBURG

MINES

November 10	Rand	+ or —
[illegible]	[illegible]	[illegible]

INDUSTRIALS

	Rand	+ or —
[illegible]	[illegible]	[illegible]

Securities Rand U.S.$0.68½
(Discount of 40.43%)

MILAN

Nov. 10	Price Lire	+ or —	Div. Lire	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

Nov. 10	Aust. $	+ or —
[illegible]	[illegible]	[illegible]

OSLO

Nov. 10	Price Kroner	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS

Nov. 10	Price Frs.	+ or —	Div. Frs.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WALL STREET

NEW YORK

1978 High	1978 Low	Stock	Nov. 10
39	26	Abbott Labs	32¼
52	18⅞	Addressograph	21
64½	45⅛	Corning Glass	53
54½	42⅛	CPC Int'n'tional	49½
36¾	24⅛	Crane	28½
30	21⅛	Crocker Nat'l	25¼
34½	25⅝	Johns Manville	26
86½	66	Johnson Johnson	76½
33½	25⅛	Johnson Control	24¼
38½	27⅛	Joy Manufactur'g	28⅜
58½	38	Kerkin	51
39¾	25⅛	Reynolds Metals	31½
64	52½	Reynolds R. J.	56½
30⅜	20	Rich'son Merrell	24½
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

1978 High	1978 Low	Stock	Nov. 10
[illegible]	[illegible]	[illegible]	[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

مكتبة الأصول

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY NICHOLAS COLCHESTER and FRANCIS GHILES

Time for a currency cocktail

RECENT currency unrest and the virtual closure of the dollar bond market has prompted Credit Suisse First Boston to try another issue of a Eurobond denominated in Special Drawing Rights. The new issue for the Swedish Investment Bank comes three years after CSFB, in its previous incarnation as Credit Suisse White Weld, made the short-lived excursion into this market. The SIB issue will be for SDRs 25m ($32.5m) until 1985 with an average life of 5.4 years. The indicated coupon is 9 per cent.

In 1975 just three SDR issues were floated—for Alusuisse, the Swedish Investment Bank, and Electricite de France—before the recovery in the fortunes of the dollar put an end to the experiment. The cynics are already saying that this new bond means the moment to invest in dollars has definitely arrived. But CSFB is convinced that the long term uncertainty surrounding the dollar and other currencies is greater than it was in 1975. President Carter's package may have done some short term good but it has not removed the long term doubts. Hence, says CSFB, the argument for risk spreading through currency-cocktail borrowing and lending is stronger than ever before.

Certainly the disparity between bond coupons on U.S. dollar and Deutsche Mark bonds is greater now than it was in 1975. A borrower of SIB's status would today pay 10 per cent in the dollar market for seven years and about 6 per cent in the Deutsche Mark market. These compare with the comparable interest costs in 1975 of 9½ per cent and 8¼ per cent. The indicated coupon on the new issue of 9 per cent is roughly in line with the yields available on the secondary market quotations of two existing SDR bonds maturing in 1982 and 1983.

The question now is whether investor interest is there. CSFB is expecting demand from foreign central banks and monetary authorities: it is catering for their desire to diversify their dollar holdings. To this end the SIB bond will be listed on both the Luxembourg and the Singapore stock exchanges. Another London bank, not involved in the issue, predicted that there would be considerable Middle Eastern interest in SDR paper.

It is indicative of spreading mistrust of investment in any single currency that the first multi-currency bond fund is now being prepared for sale to the U.S. public by the Swiss bank Julius Baer. The new fund is in the process of being cleared by the SEC and should start operating at the turn of the year. It will offer U.S. investors the chance to invest in a basket of foreign currency bonds.

The dollar sector of the market spent the best part of last week looking for a new level, one at which it could attract back investor interest. In the middle of the week the market seemed to be throwing logic to the winds. Kidder Peabody, commenting on the market's movement on Wednesday and Thursday, said: "The market did not deserve to rise two points in two days. A gradual improvement in prices is justifiable but an advance of two percentage points is more reminiscent of a casino than an orderly market."

Market professionals were responsible for most of the trading but, by Thursday, there were the first signs of renewed investor interest not just from houses managing dollar-based funds but European interest also. This suggested that, given a more stable dollar in the next few weeks and even allowing for a further rise in U.S. interest rates, good two-way trading could re-emerge.

A $50m FRN for Industrial Bank of Japan was announced last week and a similar size one for Sonatrach is expected this week.

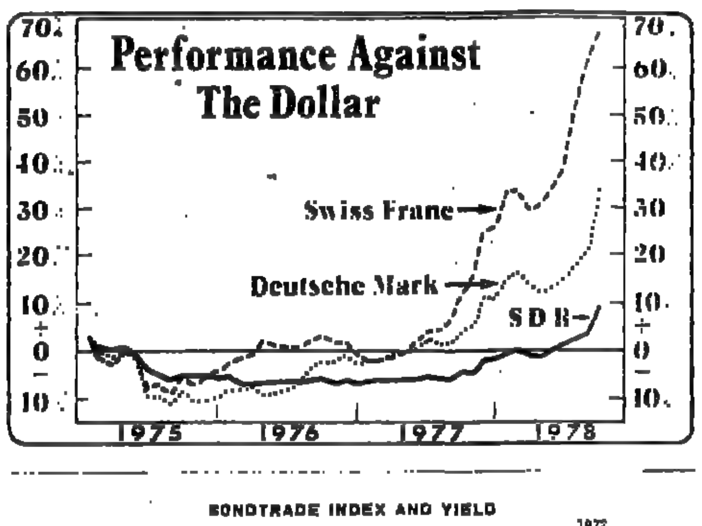
Another sign which may herald a new spring for dollar bonds was the selling pressure experienced in the Deutsche-Mark sector. Those who moved out of D-Mark paper appear to have placed their funds essentially in short-term dollar instruments. Further evidence of a more stable dollar could bring them back into dollar paper once again.

The Deutsche-Mark sector was uneasy. Prices have not fallen much but the selling experienced up to last Thursday morning was a clear pointer to what could develop if confidence in the dollar increases. This unease led Deutsche Bank to postpone, for the time being, the DM400m planned issue for the World Bank.

Other factors worrying investors include the fear of a rise in German interest rates and the possible issue of up to $10bn worth of U.S. currency bonds.

This latter uncertainty also pushed down prices in the Swiss Franc sector early last week although they recovered rapidly and finished the week without overall change.

Apart from two public issues in the Deutsche Mark sector, one for Finland and the other for Hitachi Shipbuilding, one private placement for the South African Oil Fund was announced. An unusual private placement of DM50m for Kubota, guaranteed by Sumitomo Bank, will be placed with Middle East institutional investors. Lead manager of this issue which carries a 5½ per cent coupon for five years and a price of par is Westdeutsche Landesbank. This is believed to be only the second time that Middle East institutional investors have purchased Japanese corporate paper.



CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life year	Coupon %	Price	Lead manager	Offer yield %
US DOLLARS							
¶§Central Telephone & Utilities Corp.	40	1993	—	7	*	Dean Witter Reynolds	*
††Leumi International Investments N.V.	60	1985	7	6½	100	Bank Leumi	6.09
†**Industrial Bank of Japan Finance	50	1985	—	5¼	100	Morgan Stanley, IBJ	5.58
D-MARKS							
‡Council of Europe	130	1988	8	6¼	100	BHF-Bank	6.25
‡§Nippon Yusen	50	1985	—	3½	100	West LB	3.54
‡**Council of Europe	20	1988	8	6¼	100	BHF-Bank	6.25
‡**South African Oil Fund	20	1981	3	7½	100	Bayerische Vereinsbank	7.25
Hitachi Shipbuilding	50	1983	5	5¾	*	West LB	*
Finland	150	1983	5	6	*	Dresdner Bank	*
SWISS FRANCS							
‡Austria	100	1993	—	3½	99	Crédit Suisse	3.58
GUILDERS							
Norges Kommunalbank (g'teed Norway)	75	1993	10.5	8½	*	AMRO	*
KUWAITI DINARS							
CNAN (g'teed Banque Exterieure d'Algérie)	10	1986/90	—	8½	100	BAII, KFTCIC	8.5
Panama	7	1985/90	—	8½	100	KIIC	8.5
YEN							
‡Venezuela	15bn	1988	—	6.8	99½	Nomura	6.88
SPECIAL DRAWING RIGHTS							
Swedish Investment Bank	25	1985	5.4	9.0	*	Credit Suisse First Boston	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. * Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund.
Note: Yields are calculated on AIBD basis.

MEDIUM-TERM LENDING

BY JOHN EVANS

Reverse yield Eurodollars

BIG international banks are modifying their lending strategies somewhat to reflect an unusual development in the dollar market, under which long-term deposits currently represent the cheapest source of funds.

In the international dollar market in recent weeks, the bank Eurodollar deposit market is encountering a reverse yield curve caused by an inflated level of interest rates on short-term money, particularly after the tough U.S. credit measures. Six-month Eurodollars are currently quoted with a mid-price of 12 per cent by the major banks. By contrast, five-year dollar deposits can now be obtained as cheaply as 10½ per cent.

Bank economists say what has in fact exaggerated the rise in the shorter end of the Eurodollar market compared with long-term funds is the now widely held view that U.S. interest rates will peak out sometime in 1979.

The banks engaged in Euromarket lending are taking the opportunity of building up their long-term fixed-interest loans to the customers. In many cases, conventional medium-term rollover credit for such a borrower would effectively cost up to 13 per cent annually, based on the current three or six-month rollover rates.

Instead, borrowers with especially long-term funding commitments, such as large industrial infrastructure projects, are taking out fixed-interest dollar finance of seven years or longer. In an historic perspective, dollar interest rates of 10 per cent or more are seen as a reasonable prospect.

In one example, the province of Quebec has won itself a particularly favourable deal from a group of Japanese banks, headed by Mitsubishi Bank. The province has recently arranged a $100m dollar loan over 15 years at an attractive rate of 9½ per cent.

The maintenance of short-term interest rates at present levels for much longer will add significantly to the debt-servicing burdens of many nations with high levels of Euromarket debt, bankers say.

Nations like Brazil, which has outstanding gross external debt approaching $40bn, are already facing stiff increases in the cost of servicing their outstanding loans.

Brazil's debt-servicing charges over 1978 had originally been scheduled at around $7.5bn. Some bank economists now calculate that Brazil will actually pay out at least $8.5bn-$8.75bn this year. As dollar interest rates started to turn up earlier this year, Brazil's debt-servicing costs had already expanded by an estimated $500m in the first half of 1978, and have continued to grow, they note.

Such increased costs go some way to explain why Brazil is felt so keen to restructure, on the basis of longer maturity and lower bank interest margins, at least part of its foreign debt, economists say.

Brazilian state agencies Acominas and Electrobas are now negotiating to restructure some $750m of past Eurocurrency loans.

While the international banks are displaying resistance to these attempted refinancings, they are resigned to the fact that the two agencies may well repay part or all of the loans rather than continue to service the various facilities in question at spreads of over two per cent (which produce an effective cost of funds of 14 per cent).

U.S. BONDS

BY JOHN WYLES

A perverse stability

THE U.S. financial markets are burdened by an understandable sense of foreboding at the moment which, perversely brought a certain kind of stability to the bond markets last week. Trading was relatively active but positions were cautious and a thin new issue calendar for the coming week contains nothing which is likely to change the current perspective.

With the exception on one-month treasury bills which fell back 65 basis points, short-term yields rose by between 10 and 62 basis points while long-term corporates remained mixed and registered no significant change.

Essentially the market is treading water as it tries to adjust to new interest rate benchmarks established in the wake of President Carter's dollar-boosting package of November 1. The impact of that package has been bruising, but significantly the rates on most money market instruments are still well short of the peaks established in the 1974-1975 recession.

Thus, although three-month commercial paper rose from 8.05 per cent on September 1 to 9.88 per cent on November 3 its previous peak was still some 237 basis points higher. Similarly, six-month certificates of deposit climbed from 8.80 per cent at the beginning of September to 11.80 per cent on November 3, but despite this 233 basis point increase, six-month CD's will have to climb another 137 points before they nudge the 1974-75 high.

According to the comparative analysis compiled by Salomon Brothers, only in the treasuries market are new records now being set with a three-year note reaching 9.05 on November 3, which was 68 basis points higher than at the beginning of September and 29 points higher than the last peak. Seven year Treasuries were 23 points higher on November 3 than their previous record and 30 year bonds 4 points up. But corporates still have a long way to go. Triple A rated utilities put on 45 basis points to reach 9.25 per cent by November 3, which is 8 basis points below the previous high, and Double A industrials had reached 9.15 per cent which was still 70 basis points short of the 1974-75 peak.

Most market participants look backwards in order to make some sense of the future and many are confident that previous interest rate peaks will have to be challenged if the authorities are to make any impact on inflation and at the same time restore the integrity of the dollar.

For its part the Federal Reserve appears anxious at the moment to give the markets time to adjust to the recent severe increases in short term interest rates, and dealers noted during the past week that the central bank rate had been lifted to 9½ per cent. The Fed's target for the funds rate was thought to be at or very close to 10 per cent. This may well be the case, but during the past week the Fed allowed the rate to fall as low as 9½ before it drained reserves out of the system, and this somewhat relaxed approach helped relieve some pressure in the markets.

Thus six month Eurodollar certificates of deposit fell in Friday's trading from around 12 per cent to 11½ per cent, and six month domestic CDs which averaged 11.45 per cent on the week were offered at 11.25.

The latest money supply figures for the week ending November 1 were generally a positive factor for so gloomy have been expectations that a $2.1bn increase in M1 proved to be smaller than the most dire forecasts. In the short term, the dollar rather than monetary developments may be the prime influence on the Fed's management of interest rates, partly because the rate of increase in money supply has abated a little and partly because major commercial banks have introduced this month automatic transfer from savings to current accounts and the Fed is expected to need time to assess the impact of this development on the monetary aggregates.

BONDTRADE INDEX AND YIELD

	November 10		November 3		1978 High	1978 Low
Medium term	96.35	8.57	96.02	8.72	98.81 (19/4)	94.72 (30/10)
Long-term	90.15	9.25	89.52	9.35	94.07 (19/4)	89.03 (30/10)

EUROBOND TURNOVER
(nominal value in $m)

	U.S. dollar bonds last week	previous week	Other bonds last week	previous week
Euroclear	1,735.2	(1,216.4)	428.4	(423.1)
Cedel	397.3	(459.2)	260.6	(259.1)

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kondtrade; Kredietbank NV; Banque Nationale de Paris; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse; Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; BFDC; Citicorp International Bank; Daiwa Europe NV; [illegible] Trading Company; [illegible]; Deutsche Bank; [illegible] Corporation; EBC; First Chicago; Goldman Sachs International Corporation; [illegible]; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; [illegible]; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull; [illegible]; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy. Closing prices on November 10

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 5½ 88	15	98½	98¾	0	−0½	5.95
Australia 6.8 90	50	101¼	102¼	0	+0½	6.48
BFCE 6.4 90	20	97	98	−0½	+0¾	6.22
Eurofima 6.3 90	10	98½	99½	0	+0¼	6.56
Finland 6.7 85	25	98	99	−0½	−0½	7.04
Norway 5.7 83	[illegible]	103½	104½	+0½	+0½	4.75
Oslo, City of 6.8 90	15	98½	99	0	−0½	6.89
SNCF 6.6 90	20	98½	99	−0½	0	6.89
Sweden 6.3 90	40	96½	97½	+0½	+0½	6.82

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O'S Hold. 11½ 88	12	96½	98	0	−0½	12.23
Auto Cote Basq. 7 91 EUA	15	96½	97½	+0½	+0½	7.32
Copenhagen 7 93 EUA	20	95½	96½	0	+0½	7.42
Finland Ind. Bk. 7 93 EUA	15	96	96½	−0½	+0½	7.42
Komm. Inst. 7½ 93 EUA	15	97½	98½	0	+0½	7.70
Panama 8½ 93 EUA	20	94	95	−0½	+1½	8.43
SDR France 7 93 EUA	22	97½	98½	−0½	−0½	7.22
Algemene Bk. 6¾ 83 Fl	75	97½	98½	0	+0½	7.40
Brazil 7½ 83 Fl	75	94½	95½	0	+0½	8.87
CFE Mexico 7½ 83 Fl	75	96½	97½	−0½	+0½	8.53
EIB 7½ 83 Fl	75	94½	95½	−0½	+0½	8.27
Neder. Middenb. 6½ 83 Fl	75	95½	96½	+0½	+0½	7.62
New Zealand 6½ 84 Fl	75	95½	[illegible]	0	+0½	7.58
Norway 6½ 83 Fl	100	94½	[illegible]	−0½	+0½	7.91
OKB 6½ 83 Fl	75	92½	93½	+0½	+0½	[illegible]
EIB 9½ 89 FFr	200	96	98½	+0½	−0½	10.03
BAT 8 88 LuxFr	250	[illegible]	96½	0	+0½	8.65
Bayer Lux. 8 86 LuxFr	250	94½	[illegible]	+0½	−0½	8.84
EIB 7½ 88 LuxFr	250	95½	96½	0	−0½	[illegible]
Finland I. Fd. 8 88 LuxFr	250	95½	96½	+0½	−0½	8.62
Norway 7½ 83 LuxFr	250	96½	97½	0	0	8.60
Renault 7½ 88 LuxFr	500	95½	96½	+0½	0	8.30
Swedish I. Bk. 8 88 LuxFr	500	99½	100½	0	+0½	8.01
Citicorp O/S Fin. 10 93 £	20	83½	84	−0½	+0½	12.49
EIB 9½ 88 £	24	82	83	0	−0½	13.10
Finance for Ind. 10 89 £	12	81½	82½	−0½	−0½	13.27
Gestetner Hld. BV 11 88 £	10	84½	85½	+0½	0	13.87
Oranjeboom 10½ 90 £	15	82½	83½	+0½	−0½	[illegible]
Whitbread 10½ 90 £	15	82½	83½	+0½	−0½	13.34

FLOATING RATE NOTES (Spread, Bid, Offer, C.date, C.cpn, C.yld); CONVERTIBLE BONDS (Cnv. date, Cnv. price, Bid, Offer, Chg. day, Prem); U.S. DOLLAR STRAIGHTS; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS: [illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.
Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.
Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

U.S. FOREIGN ISSUES

Interest generated by Carter proposals

By Mary Campbell and Nicholas Colchester

THE envisaged issue of up to $10bn of foreign currency bonds by the U.S. Government — now christened Carter Bonds—awoke keen interest in Europe's banking centres last week as U.S. Treasury officials visited Zurich and Frankfurt to sound out the Swiss franc and D-Mark markets for such paper.

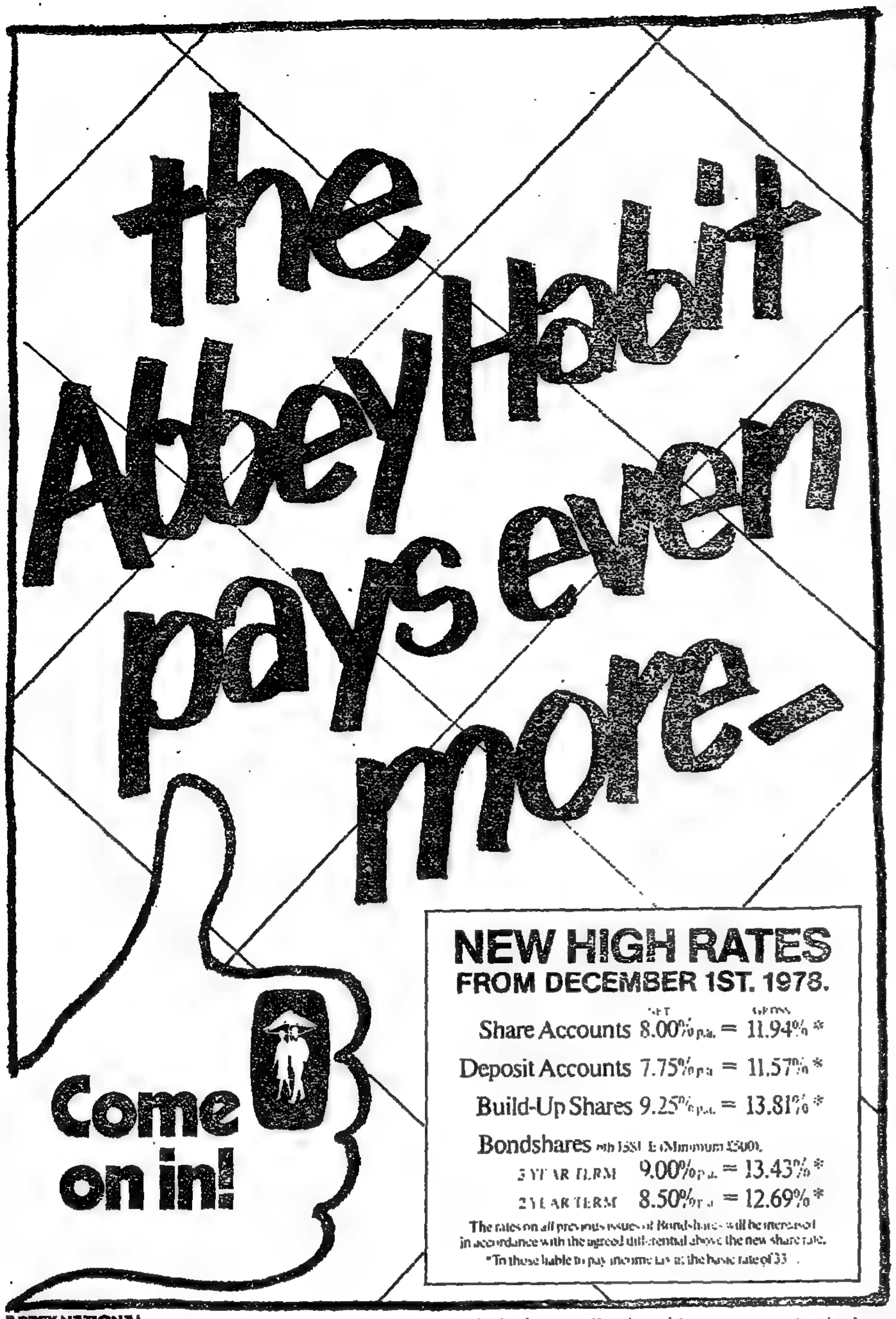
On balance, bankers and central bankers felt that the discussions had made such issues more likely, though it is reliably understood that pending the return of the team to Washington no formal decision to go ahead with the exercise has been taken by the U.S. Government.

The president of the German Bundesbank, Dr. Otmar Emminger, said on Friday that Treasury notes of up to four years' maturity were envisaged and that this short maturity would ease the task of issuing such paper on to the German domestic market. He also intimated that there would have to be some restrictions preventing U.S. investors from purchasing the notes.

Dr. Walter Seipp, who heads the international operations of Westdeutsche Landesbank, said that he was confident that the U.S. could raise DM 6bn in Germany if the market was tapped in the right way. This, he said, precluded use of the capital market with maturities of above four years and was consistent with the Money market notes mentioned by Dr. Emminger. He predicted that the exercise would be a central topic for discussion at the meeting of the German capital markets sub-committee today.

Another German banking source mentioned the possibility of up to DM 8bn in short 3-4 year notes and added that a DM 1bn international bond issue was a possibility as well. He pointed out that domestic notes would involve the U.S. paying higher rates than other industrial countries had paid in borrowing on the D-Mark international bond market.

Less emerged from the talks that took place in Zurich, but the reaction of the Swiss financial establishment has in general been less cautious than that in Germany. The president of the Swiss National Bank, Dr. Fritz Leutwiler, was one of the original advocates of such U.S. issues. One leading Swiss banker said last week that he was confident that Switzerland could place $3bn worth of Swiss Franc paper without too much difficulty.



BRITISH-BORNEO PETROLEUM SYNDICATE LIMITED

INTERIM REPORT FOR THE HALF YEAR TO 30th SEPTEMBER 1978

At a meeting of the Board of British-Borneo Petroleum Syndicate Limited held today it was resolved to declare an interim dividend No. 91 of 2.505p (1977/78 2.28p) per 10p unit of stock. In the hands of a United Kingdom stockholder this interim dividend is equivalent, with the applicable tax credit, to 3.7445p (1977/78 3.4545p). In addition, as a result of the reduction in tax credit applicable to the final dividend for the year to 31st March 1978, it was resolved to pay an additional dividend for that year of 0.068p per 10p unit of stock, equivalent, with the applicable tax credit, to 0.10149p, at a cost of £3,000.

Both these dividends, totalling 2.576p per 10p unit of stock, will be paid on 15th December 1978 to stockholders registered at the close of business on 24th November 1978.

The Transfer Books and Register of Members will be closed from 25th November to 1st December 1978, both days inclusive.

The unaudited results for the half year to 30th September 1978 are as follows:

	Half year to 30th September 1978	Half year to 30th September 1977	Year to 31st March 1978
Dividends and Interest on Investments	£278,037	£245,293	£495,891
Profit on realisation of Investments, Short Term Interest and other income	239,420	29[illegible]	309,606
Administration Expenses	(34,545)	(31,39[illegible])	(67,697)
Interest on Eurocurrency Loans	(47,088)	(40,64[illegible])	(80,604)
Exploration Expenses	—	(500)	(877)
Profit before Taxation	436,124	470,547	746,019
Estimated Taxation			
Corporation Tax	(110,860)	(117,[illegible])	(128,550)
Tax attributable to Franked Investment Income	(72,890)	(63,[illegible])	(132,031)
Profit after Taxation	£252,374	£250,051	£485,438
Cost of Dividends	£112,866	£102,600	£306,405*

*adjusted for additional dividend

In Western Canada one well at Meekwap and two wells at Boundary Lake were drilled during the half year and abandoned. Further drilling in these areas under farm-out arrangements is under consideration.

Net Assets of the Company and its Subsidiaries at 31st March and 30th September 1978 were as follows:

		30th September 1978 (Unaudited)		31st March 1978 (Audited)
Canadian Oil and Gas Concessions at cost		£255,993		£176,176
Investments at book value				
Listed	£3,946,001		£4,00[illegible]	
Unlisted	52,073	3,998,074	52,07[illegible]	4,059,916
		4,254,067		4,236,092
Net Current Liabilities		(26,147)		(129,424)
		4,227,920		4,106,668
Less, Eurocurrency Loans		1,011,890		1,073,537
		£3,216,030		£3,033,131
Stock Exchange Value of Listed Investments		£10,009,637		£9,434,706

By Order of the Board
RUSSELL LIMEBEER, Secretaries
9th November 1978

2 Broad Street Place, London EC2M 7EP

LABOUR NEWS

Vauxhall engineers vote to accept 8.5% pay offer

BY PHILIP BASSETT, LABOUR STAFF

VAUXHALL MOTORS yesterday became the first major car company effectively to settle a pay deal in the current round when engineering workers at Ellesmere Port led the way to acceptance of an 8.5 per cent offer by the company's 26,000 manual workers.

A strike by the company's 900 skilled workers at Ellesmere Port over differentials will begin today, though, with a further 3,500 skilled workers at Luton and Dunstable deciding during the day whether to join them.

The 5,000 members of the Amalgamated Union of Engineering Workers at Ellesmere Port voted overwhelmingly yesterday to follow the recommendation of their union's executive and accept the company's offer.

The pay agreement, although in excess of Government guidelines if the 5 per cent figure is rigidly adhered to, is a much less significant breach than the 17 per cent offered to Ford's 57,000 workers, who are today starting their seventh week of a strike with no talks lined up between unions and the company.

The average pay rise for day shift workers under the Vauxhall agreement is 5.5 per cent, only marginally above the guidelines figure. A further £2 to £2.60 is available as the first part of a productivity deal, with possible earnings from a second part ranging from 25p to £10 a week. High-level earnings from the scheme are unlikely, though, because of low productivity at the Luton and Ellesmere Port plants.

The Department of Employment has noted the company's insistence during negotiations that it was bargaining against its own financial position, not Government guidelines. The Department is expected to examine details of the agreement when a settlement has been signed.

The unofficial General Motors Combine Craft Committee, which called an all-out strike by Vauxhall's skilled workers, will meet tomorrow to assess the response and decide on its next move to try to restore differentials eroded by pay policy.

Mr. Norman Gunter, combine chairman, said yesterday that the 900 Ellesmere Port strikers had been supported by a strike by 400 electricians and other skilled workers at the Kirkby, Merseyside plant of AC Delco, the car components company which, like Vauxhall, is a General Motors subsidiary, and by 150 skilled workers at the Southampton AC Delco factory.

● The 3,500 strikers at the Austin-Morris steering and suspension plant at Drews Lane, Birmingham, who have halted assembly throughout the company and caused 20,000 workers to be laid off, are expected to meet later this week. The executive of the AUEW is expected to instruct them to return to work at its meeting tomorrow.

Heating men win special case 30% deal

Financial Times Reporter

HEATING AND ventilating engineers will receive a 16 per cent increase in hourly rates of pay from today as the first stage of a two-part 30 per cent deal agreed under the special case provisions of the Government's pay guidelines.

The deal for 30,000 heating engineers is in line with that agreed with the Department of Employment for 18,000 plumbers in the private contracting industry.

Bristol dockers want 15% rise

UNION LEADERS for about 1,300 registered dockers in the Port of Bristol have tabled a 15 per cent plus claim in line with two other groups of dock workers who have recently submitted claims well in excess of the Government's 5 per cent pay guidelines.

Sunday Times loses 300,000 more copies

BY OUR LABOUR STAFF

THE SUNDAY TIMES lost 300,000 copies yesterday because machine assistants failed again to finish their normal shifts. The losses bring the total copies lost in the last six weeks to 1.7m.

The machine assistants, members of the National Society of Operative Printers, Graphical and Media Personnel, have been ending work for the past six weeks at 4 a.m. on Sunday in support of their claim for an increase in their nationally-agreed overtime rate.

Management yesterday attributed loss of 1.4m of the total lost in the six weeks directly to the machine assistants' action.

Mr. Duke Hussey, chief executive of Times Newspapers, said on Saturday that the management would carry on negotiating if The Times and the Sunday Times were suspended on November 30 in line with the company's warning.

On BBC television's On the Record programme, Mr. Hussey said that The Times would not be closed, but if the company had to suspend production he was confident that the deals being offered to workers in the printing departments could and would be negotiated. He said that negotiations with most of the unions concerned were going well.

● Journalists on provincial newspapers begin industrial action over their annual pay claim from November 20. A conference of representatives of 300 chapels of the National Union of Journalists at the weekend voted 118-41 in favour of taking action.

About a third of the delegates voted for strike action instead of disruptive actions. The NUJ rejected a 5 per cent pay offer last week from the Newspaper Society, and is pressing its £20-a-week claim.

Mr. Denis McShane, the NUJ president, said yesterday that the quality of Provincial journalism would decline if pay were not improved.

Managers press claim for recognition

By Our Labour Staff

THE Engineers and Managers Association is to press for recognition at three engineering companies after reports by the Advisory, Conciliation and Arbitration Service showed "overwhelming" support for representation by the union.

Mr. John Lyons, the association's general secretary, yesterday released the results of ballots conducted in the companies by ACAS and announced his union's decision to press for recognition, despite the out-come not being known of an important test case on the issue of recognition of professional engineers' associations.

ACAS is appealing against a judgment refuting its decision not to recognise the United Kingdom Association of Professional Engineers at APE-Allen, a Bedford engineering company. The appeal has effectively frozen recognition work in similiar areas.

Battle

Mr. Lyons said ACAS ballots of professional and managerial staffs at Clarke Chapman (Power Plant Division), Hoover (Perivale) and Alton and Co. of Derby, in recognition references under Section II of the Employment Protection Act, had shown "overwhelming" support.

At Clarke Chapman 66 per cent had voted for association representation, at Hoover (Perivale) 77 per cent and at Alton 88 per cent. Referring to the membership battle between the association and the Technical, Administrative and Supervisory Section of the engineering workers' union, Mr. Lyons noted only 28 of TASS's 43 members at Clarke Chapman and none of TASS's "very few" members at Alton wanted TASS to represent them.

By waiting for the outcome of the APE-Allen case, ACAS was failing to carry out its statutory duty of the promotion of collective bargaining, and in view of that and the support for the union, the association had written to the companies asking them to grant recognition "without further delay," he claimed.

The TUC is examining the whole area of recognition procedures and is intending to report its findings to next year's Congress.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last years timetable.

TODAY

COMPANY MEETINGS—
Glendevon Inv. Trust, 175 West George St., Glasgow, 2.30

BOARD MEETINGS—
Finals:
[illegible]
Interims:
[illegible]
Harrisons and Crosfield
Heath (C. E.)
[illegible] Invest. Tst.
[illegible] Marshall
Unilever
Unilever NV

DIVIDEND & INTEREST PAYMENTS—
[illegible] 2.25p
Bramall (C. D.) 1.75p
[illegible] 6.9322p
Diamond Shamrock Europe Db. 5½pc
Ferry Pickering 1.5931p
Howden (Alexander) 2.3p
Wolstenholme Bronze Powders 3.57p

TOMORROW

COMPANY MEETINGS—
Armstrong Equip., Waldorf Hotel, W.C., 12
[illegible]
[illegible] Works, Elderslie, Renfrewshire, 12

BOARD MEETINGS—
Finals:
JCEG
Interims:
[illegible] Lawrence
[illegible] Latham
Commercial Bank of the Near East
[illegible] Invest. Tst.
HAT
LCP
[illegible] Invest. Tst.
Nichols (J. N.) (Vimto)
[illegible]
Smith (W. H.)
Smiths Inds.
[illegible] Brewery

DIVIDEND & INTEREST PAYMENTS—
Empire Stores (Bradford) 2.5184648 (includes supplementary distribution of 0.039464 [illegible])
Finlay Packaging 0.273p
Jessel Toynbee 0.875p
Law Land 0.5p
Miller (F.) Textiles 0.811p
Treasury 9½pc 1980 4¾pc

WEDNESDAY NOVEMBER 15

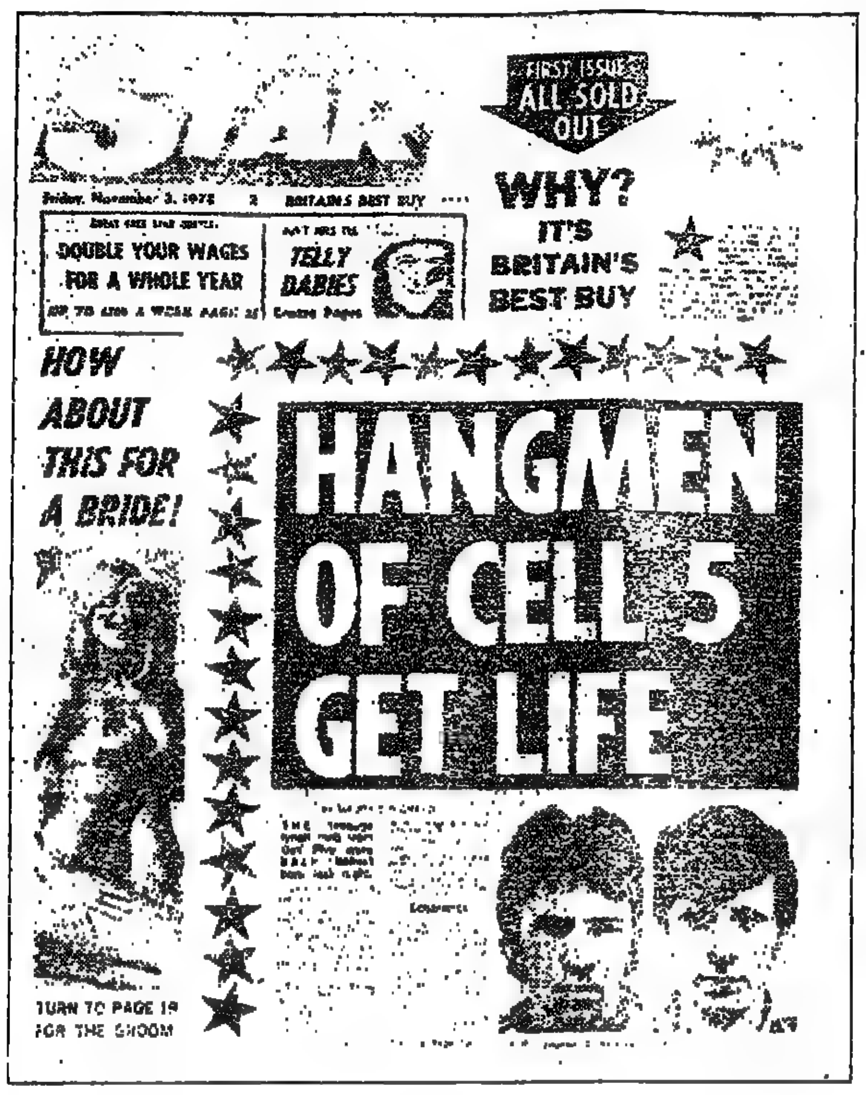
COMPANY MEETINGS—
Highland Electronics, Highland House, 8, Old Steine, Brighton, 12
London & Strathclyde Trust, 2, St. Mary Axe, E.C., 12.30
Sanderson Murray & Elder, Victoria Hotel, Bridge St., Bradford, 12.15
Scholes (G.H.), Wylex Works, Manchester, 12
Smith Walls, Midland Hotel, New St, [illegible]

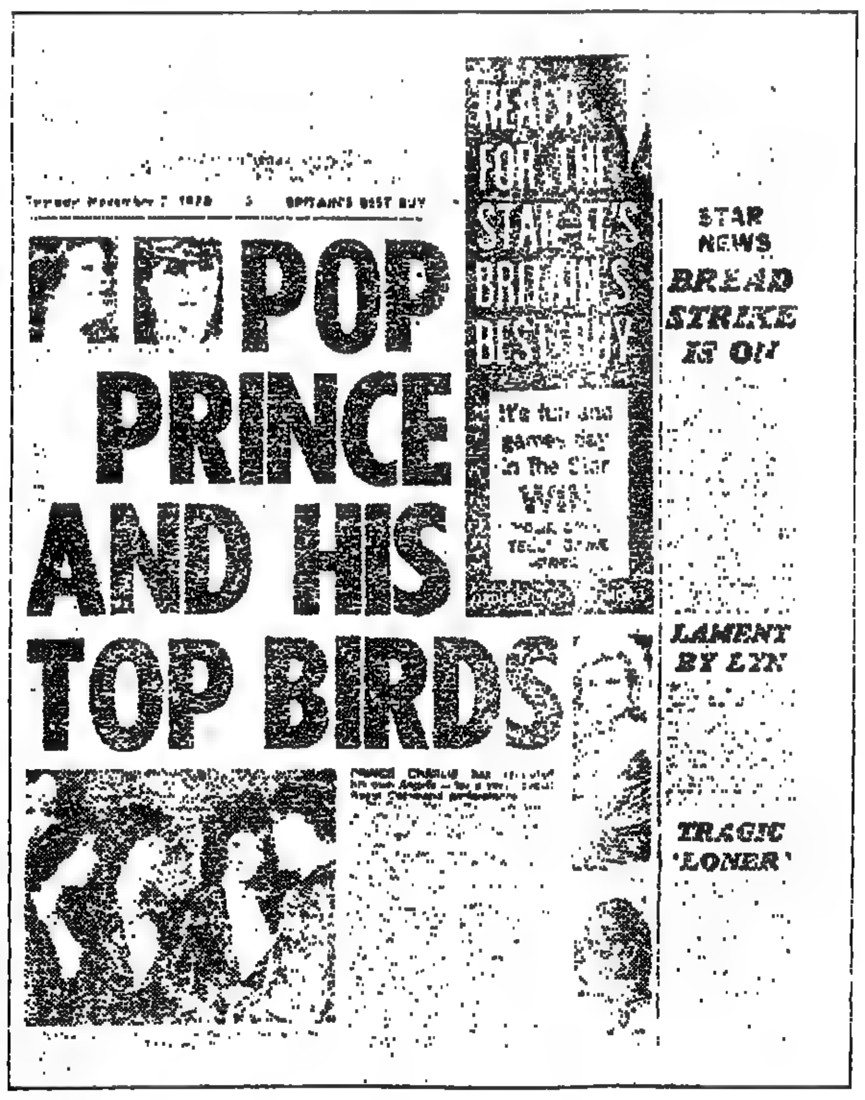
PLANT & MACHINERY SALES

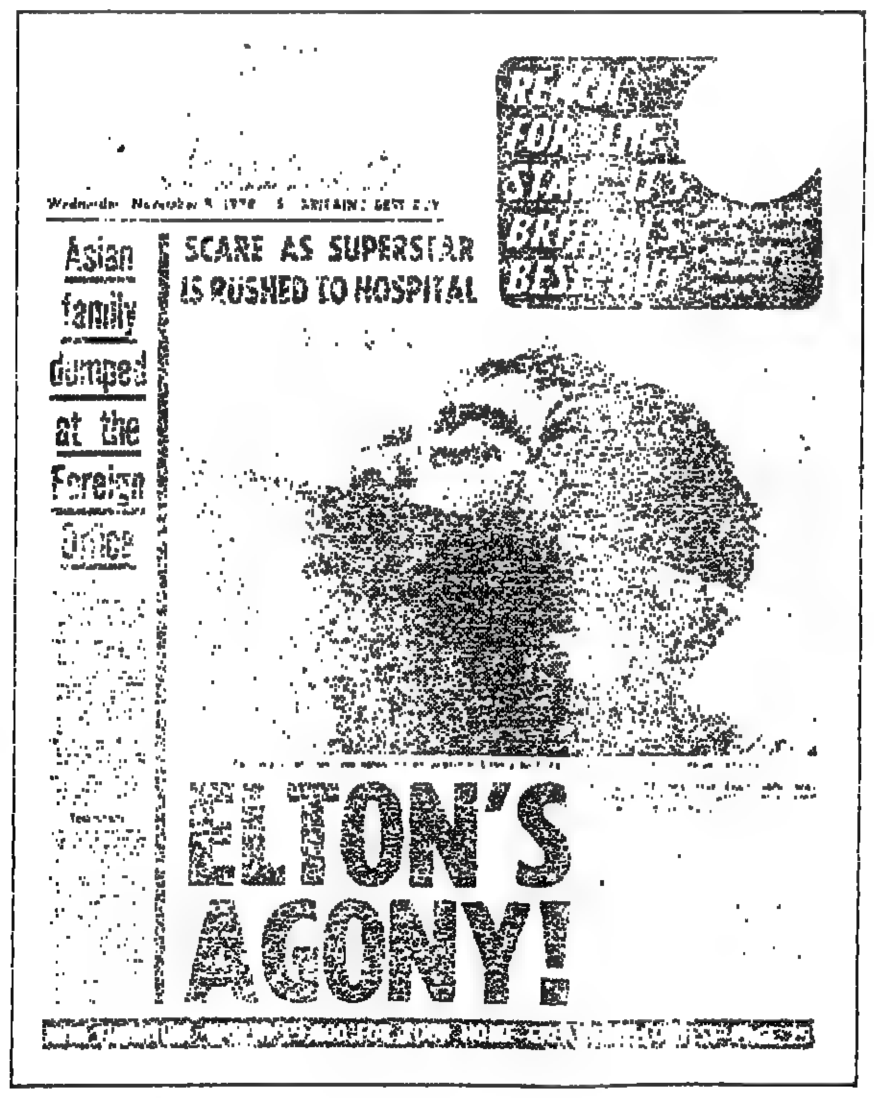
Description	Telephone
ROLLING MILLS 5in x 12in x 10in wide variable speed Four High Mill. 3.5in x 8in x 9in wide variable speed Four High Mill. 10in x 16in wide fixed speed Two High Mill. 10in x 12in wide fixed speed Two High Mill. 17in x 30in wide fixed speed Two High Mill. 24in x 36in wide x 300 HP Two High Mill.	0902 42541/2/3 Telex 336414
1973 THOMPSON & MUNROE STRIP STRAIGHTENING & Cut-to-Length machine.	0902 42541/2/3 Telex 336414
1970 CUT-TO-LENGTH LINE max capacity 1,000 mm 2 mm x 7 tonne coil fully overhauled and in excellent condition.	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3 mm.	0902 42541/2/3 Telex 336414
RWF TWO-STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10in x 8in rolls x 75 h.p. per roll stand. Complete with edging rolls, turk'n head, flaking and fixed recoiler, air gauging, etc. Variable line speed. 0/750 ft/min and 0/1,500 ft/min.	0902 42541/2/3 Telex 336414
SLITTING LINES (2) 300 mm and 500 mm capacity.	0902 42541/2/3 Telex 336414
8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE DRAWING machine in excellent condition. 0/2,000 ft/min variable speed. 10 h.p. per block (1968).	0902 42541/2/3 Telex 336414
24in DIAMETER HORIZONTAL BULL BLOCK by Farmer Norton (1972).	0902 42541/2/3 Telex 336414
PACEMAKER SIX BLOCK (22" x 25 h.p.) variable speed Wire Drawing Machine by Marshall Richards.	0902 42541/2/3 Telex 336414
2 15 DIE MS4 WIRE DRAWING MACHINES, 5,000 ft/min with spoolers by Marshall Richards.	0902 42541/2/3 Telex 336414
9 DIE, 1,750 ft/min SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive 20in. Horizontal Draw Blocks. 22in Vertical Collecting Block and 1,000 lb Spooler. (Max inlet 9 mm finishing down to 1.6 mm copper and aluminium).	0902 42541/2/3 Telex 336414
7 and 9 ROLL FLATTENING & LEVELLING MACHINES.	0902 42541/2/3 Telex 336414
100 TON CAPACITY COINING PRESS by Taylor & Challen—virtually unused—fully automatic 160 s.p.m. x 24 mm stroke.	0902 42541/2/3 Telex 336414
HYDRAULIC SCRAP BALING MACHINE by Fielding & Platt, fully reconditioned.	0902 42541/2/3 Telex 336414
TYPE 10004R CINCINNATI PLATE SHEAR max capacity 1000 mm x 25 mm M.S. Plate, complete with full range of spares.	0902 42541/2/3 Telex 336414
No. 1 FICEP SHEAR, max capacity 50 mm rounds, 75 mm x 35 mm bar, 400 mm x 10 mm flats (spare shear blades).	0902 42541/2/3 Telex 336414
CAYMAN ALLIGATOR SHEAR, max capacity 90 mm rounds, 300 mm x 40 mm bar and 600 mm x 16 mm flats (spare shear blades).	0902 42541/2/3 Telex 336414
No. 34 OLIVER QUICKWORK SHEARS max capacity 10 mm Mild Steel.	0902 42541/2/3 Telex 336414
CINCINNATI GUILLOTINE 2,500 mm x 3 mm capacity complete with magnetic sheet supports and motorised back stops	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.	0902 42541/2/3 Telex 336414
3 CWT MASSEY FORGING HAMMER—pneumatic single blow.	0902 42541/2/3 Telex 336414
COLES MOBILE YARD CRANE, 6-ton capacity lattice-jib.	0902 42541/2/3 Telex 336414
WALDRICH COBURG HYDRAULIC PLANER capacity 160" x 50" x 50". Almost new condition	01-928 3131 Telex 261771
4,000 TON HYDRAULIC PRESS. Upstroke between columns 92" x 52" daylight 51".	01-928 3131 Telex 261771
ANKERWERK 400 TON INJECTION MOULDER	01-928 3131 Telex 261771
UPSET FORGING MACHINE 4" dia. 750 tons upset pressure.	01-928 3131 Telex 261771
2,000 TON PRESS. Double action area 132" x 84"	01-928 3131 Telex 261771
WICKMAN 2¼ 6SP AUTOMATICS 1961 and 1963 EXCELLENT CONDITION.	01-928 3131 Telex 261771
WICKMAN 1¼" AUTOMATICS, 6 sp. Excellent.	01-928 3131 Telex 261771
WICKMAN 1¾" AUTOMATICS, 6 sp. Excellent.	01-928 3131 Telex 261771
CINCINNATI CENTRELESS GRINDER. Excellent.	01-928 3131 Telex 261771
LINDNER JIG BORER, very accurate.	01-928 3131 Telex 261771
SLOTTING MACHINE. 14" stroke, excellent.	01-928 3131 Telex 261771

هكذا من الأصل

0-1,000,000 in just 7 days!







Of course, on launch day we sold out the full print run of 1.4 million. We never expected to hold on to all those readers immediately, but over the first seven publishing days, the Daily Star has averaged a nett daily sale of over 1,000,000 copies in the Midlands and North. Quite an achievement for a paper that has started from scratch, the first national daily to attempt such a feat in 75 years.

The Daily Star is printed in the North, for people in the North and Midlands. And just how well its exciting new voice meets their needs is reflected in that million plus average daily sale.

DAILY STAR

BRITAIN'S BEST BUY

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. Ltd. (a)
72-80 Gatehouse Rd., Aylesbury. 0296 5941

Abbey Capital	33.1	35.2	+0.1	4.43
Abbey Income	39.8	42.3	+0.1	6.11
Abbey Inv. Tst. Fd.	34.4	36.6	....	4.60
Abbey Gen. Tst.	45.0	47.0	+0.2	4.33
Equitas Prog. Tst.	64.3	67.8xd	+0.2	4.80

Allied Hambro Group♥ (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	65.3	69.9	....	5.79
Brit. Inds. Fund	63.5	67.9	+0.2	5.68
Grth. & Inc.	36.0	38.5	+0.2	5.45
Elect. & Ind. Dev	33.6	36.0xd	+0.1	4.92
Allied Capital	67.0	71.7	.....	4.74
Hambro Fund	104.9	112.3	−0.1	5.43
Hambro Acc. Fd.	119.7	128.0xd	+0.5	5.84
Income Funds				
High Yield Fd.	70.7	75.6	−0.3	8.33
High Income	65.1	69.7	......	7.10
A.H. Eq. Inc.	38.9	41.6	......	7.21
International Funds				
International	25.4	27.2	+0.3	2.50
Pacific Fund	46.2	49.4	+0.3	2.02
Secs. Of America	49.3	52.8	+0.6	2.18
U.S.A. Exempt♦	87.4	92.0	+0.4	1.63
Specialist Funds				
Smaller Co.'s Fd.	36.0	38.5	−0.3	4.81
2nd Smlr. Co's Fd.	45.9	49.1	−0.3	4.85
Recovery Sits.	94.3	100.9	−0.5	5.10
Met. Min. & C'dty.	39.5	42.3xd	....	5.41
Overseas Earnings	57.3	61.3	+0.2	4.73
Expt. Smlr. Co's♦	232.2	244.4xd	−1.7	5.32

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	50.1	54.2	......	5.14

Ansbacher Unit Mgmt. Co. Ltd.
1 Noble St., EC2V 7JA. 01-623 6376.

Inc. Monthly Fund	175	185	......	9.09

Arbuthnot Securities Ltd. (a)(c)
37, Queen St. London EC4R 1BY 01-236 5281

[illegible]

Framlington Unit Mgt. Ltd. (a)
5-7, Ireland Yard, EC4B 5DH. 01-248 6971

American	42.0	45.2	.....	1.50
Capital Tst.	129.0	137.2xd	.....	3.53
Income Tst.	107.8	114.6	.....	6.74
Int. Growth Fd.	106.4	113.0xd	.....	2.46
Do. Accum.	110.6	117.6	.....	2.46

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	41.8	44.6xd	−0.1	4.90
Do. Accum.	55.1	58.9	−0.2	4.90

G.T. Unit Managers Ltd.♥
16, Finsbury Circus EC2M 7DD 01-628 8131

G.T. Cap. Inc.	80.4	85.5	−0.7	3.50
Do. Acc.	97.3	[illegible]	[illegible]	3.50
G.T. Inc. Fd. Un.	155.2	165.1	−1.8	8.70
G.T. U.S. & Gen.	118.9	126.4xd	−0.1	3.10
G.T. Japan & Gen.	92.9	97.7	+1.3	2.10
♦Gt. Pens. Ex. Fd.	135.9	142.6		3.80
G.T. Int'l. Fund	153.3	163.0	+0.7	1.80
G.T. Four Yds Fd.	54.9	58.4	.....	7.10

G. & A. Trust (a)(g)
5, Rayleigh Rd., Brentwood (0277) 227300

G & A	31.7	33.9xd	.....	4.90

Gartmore Fund Managers ♥ (a)(g)
2, St. Mary Axe, EC3A 8BP. 01-283 3531

(z)American Tst.	23.3	25.1	+0.3	0.10
British Tst. (Acc.)	55.3	59.5	−0.2	3.51
Commodity Share	147.2	158.3	−0.7	3.80
Extra Income Tst.	24.3	[illegible]	[illegible]	8.85
(z)Far East Trust	37.0	[illegible]	[illegible]	0.47
High Income Tst.	58.8	63.2	−0.3	9.25
Income Fund	68.9	74.1	.....	7.74
Ins. Agencies	13.37	14.21	+0.02	3.49
Intl. Exempt Fd.	86.0	[illegible]	[illegible]	5.41
(z)Intl. Tst. (Acc.)	30.7	33.0xd	.....	0.95

Gibbs (Antony) Unit Tst. Mgs. Ltd.
3, Frederick's Pl., Old Jewry, EC2. 01-588 4111

(a) A.G. Income*	41.2	44.4xd	.....	9.60
(a) A.G. Growth††	37.0	40.0	.....	6.80
(a) A.G. Far East*	26.0	28.0	.....	0.50

Dealing *Tues. ††Wed.

[illegible]

James Finlay Unit Trust Mngt. Ltd.

J. Finlay Income	34.2	36.8	......	8.95
J. Finlay Euro Fin.	26.2	28.2	......	2.52
Accum. Units	30.5	[illegible]	....	2.52
J. Finlay Fd. In. Tst.	28.0	30.1	.....	4.39
Accum. Units	32.4	34.8	.....	4.39

Prices Nov. 8. Next dealing Nov. 15

Do. Accum.	66.7	71.8	−0.1	8.58
Equity Exempt*	104.0	109.7	.....	5.77
Do. Accum.*	104.0	109.7	.....	5.77
Japan & Pacific	47.0	50.0		—
Do. Accum.	47.0	50.0		—

*Prices at Oct. 31. Next dealing Nov. 30.

CORAL INDEX: Close 468-473

INSURANCE BASE RATES

†Property Growth	10¼%
†Vanbrugh Guaranteed	10.87%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

Businessman's Diary

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
ov. 13—18	ENPOCON—Environmental Pollution Control Exhibition	National Exbn. Centre, Birmingham
ov. 13—18	TASSEX '78—Transportable Accommodation and Site Services Exhibition and Conference	National Exbn. Centre, Birmingham
ov. 13—18	EWT—Effluent and Water Treatment Exhibition and Convention	National Exbn. Centre, Birmingham
v. 14—17	Careers for '79 Exhibition	Alexandra Palace, N22
v. 14—18	Scottish Engineering Exhibition	Kelvin Hall, Glasgow
v. 17—25	Home and Beauty Exhibition	Olympia, Blackpool
v. 19—26	International Kitchen and Bathroom Show—FIT	Olympia
v. 19—26	Int. Renovation and Home Improvement Show	Olympia
v. 20—21	British Cardiac Society Conference and Exhibition	Wembley Conf. Centre
v. 21—25	Breadboard Exhibition (Home Electronics)	Seymour Hall
v. 26—30	Wholesale Buyers' Gift Fair	Mount Royal and Mostyn Hotels, W1
v. 28—Dec. 1	Video Tradex Exhibition	Heathrow Hotel
c. 4— 8	Royal Smithfield Show and Agricultural Machinery Exhibition	Earls Court
c. 5— 7	Computer Peripheral and Small Computer Systems	Olympia
c. 5— 7	UK Automatic Testing Exhibition	Royal Horticultural Halls
c. 5— 7	COMPEC '78 (Computer Peripherals)	Olympia
c. 5— 8	Expert Services Exhibition	National Exbn Centre Birmingham
c. 5— 8	Container Technology Conference and Cargo Systems Exhibition	Metropole Centre, Brighton
c. 9—17	Performance Car Show	Alexandra Palace, N22
c. 12—14	Exhibition and Display System Fair—MODULEX	West Centre Hotel, SW6

OVERSEAS TRADE FAIRS AND EXHIBITIONS

v. 16—19	International Automatics Show	Zurich
v. 18—26	Automobile Show	Sao Paulo
v. 21—24	Trade Fair for Clothing Textiles—INTERSTOFF	Frankfurt
v. 24—Dec. 3	International Exhibition of Inventions and New Techniques	Geneva
v. 25—Dec. 3	Music Exhibition	Brussels
v. 26—30	Middle East Building Materials and Construction Machinery Exhibition	Bahrain
v. 28—Dec. 2	Raw Materials Fair—RAVARMESSE	Copenhagen
v. 28—Dec. 10	International Trade Fair	Dakar
2—10	International Woodworking Exhibition	Brussels
5— 9	Exhibition for the Development and Maintenance of Open Spaces and Sports Facilities—ESPACES VERTS	Paris

BUSINESS AND MANAGEMENT CONFERENCES

14	IPM/ICMA: Disclosure of Financial Information to Employees	Cafe Royal, W1
15	Economic Models: Energy Forecasts for Europe, U.S., Canada, Japan	30 Old Queen Street, SW1
15	CAET: Group Accounting—seminar and course	Piccadilly Hotel, W1
16	Inbucon: Salary Administration Seminar	Albany Hotel, Glasgow
16	David Casey Associates: Health and Safety and Industrial Relations	Holiday Inn, Langley
16	CCC: Takeovers and Acquisitions—a Business and Management Conference	Royal Lancaster Hotel, W1
16—17	FT Conference: Business with Mexico	Mexico City
18	City of London Polytechnic/London Chamber of Commerce: Seminar on Getting Started in Business—for those setting up their own firms	Jewry Street, EC3
20—21	FT Conference: World Insurance	Dorchester Hotel, W1
20—22	British Property Fed./Nat. Assocn. of Pension Funds: Conference: "Property"—Progress in Partnership	Holiday Inn, Bristol
21	Staniland Hall Associates: British Economy in the '80s—Forecasts for Company Planning	Hilton Hotel, W1
21	CCC: Contingency Planning for Disasters	Royal Lancaster Hotel, W1
22	ASM: Estimating Project Costs—Seminar	Piccadilly Hotel, W1
22	AGB: Executive Selection Techniques—Seminar	Cafe Royal, W1
22—24	Wharton School: Finance and Accounting for the Non-Technical Executive	Churchill Hotel, W1
22—24	RASE/ADAS Conference—Farm Business Tax Planning	Nat. Agricultural Centre, Kenilworth
23	EGCI: Establishing a Joint Venture Overseas	Cavendish Conference Centre, W1
23	CPI: Seminar on Retail Planning: Sources of current information	Strand Palace Hotel, WC2
24	ASM: Industrial Tribunals: How to defend your decision to dismiss	RAC Club, SW1
24	London Chamber of Commerce: Seminar on Future Trends in the Arabian Gulf	69, Cannon Street, EC4
26—Dec. 1	Bradford University: Industrial Marketing Management	Heaton Mount, Bradford
27—Dec. 1	IPM: Selecting the Right Candidate	Whites Hotel, Lancaster Gate, W2
28	NIMRA: "Richer from Rags"—the recovery and re-use of textile wastes	Regent Centre Hotel, W1
29	FDIC: Marketing Society Annual Conference	Royal Lancaster Hotel, W1
29	Economic Models: UK Engineering Industries Forecasts—conference	30 Old Queen Street, SW1
30	AGB: Essentials of Employment Law	London International Press Centre, EC4
30	Charterhouse Japhet: Conference on "Your Private Company"—Maximising Wealth Creation for you and your family	Royal Lancaster Hotel, W2

This week's business in Parliament

TODAY

COMMONS—Nurses, Midwives and Health Visitors Bill, second reading. Proceedings on the Pensioners Payments Bill.

TOMORROW

COMMONS—Motions on EEC documents on enlargement of the Community, the display and pricing of foodstuffs and on groundwater pollution.

LORDS—Electricity (Scotland) Bill (consolidation measure) second reading. Legal Aid (Financial Conditions) Regulations 1978. Legal Advice and Assistance (Financial Conditions) (No 2) Regulations 1978. Legal Advice and Assistance (Scotland) (Financial Conditions) (No 2) Regulations 1978. Legal Aid (Scotland) (Financial Conditions) Regulations 1978. Debate on when the Government proposes to re-equip the Queen's Flight with modern aircraft.

SELECT COMMITTEE—Joint Committee on Statutory Instruments. (Room 4, 4.15 p.m.)

WEDNESDAY

COMMONS—Debate on motion to take note of developments in the EEC, January to June 1978. Motion on EEC document on mutual assistance.

LORDS—Debate on the growth of Quangos (quasi-autonomous non-governmental organisations).

SELECT COMMITTEE—European Legislation. Subject: European studies, language tuition and student admission to higher education. Witness: Mrs. Shirley Williams, Education Secretary. (Room 15, 4.15 p.m.)

THURSDAY

COMMONS—Estate Agents Bill, second reading. Motion on the Assistance for House Purchase and Improvement (Variation of Subsidy) Order. Motion on EEC document on misleading and unfair advertising.

LORDS—Forestry Bill, second reading. Counter-Inflation Price Order 1978. Debate on National Parks.

FRIDAY

COMMONS—Debate on the report of the Royal Commission on Civil Liability and Compensation for Personal Injury.

CONTRACTS

Military vehicle testing

HUMPHREYS AND GLASGOW has been awarded a subcontract valued at over £4m for the Property Services Agency involving the design and installation of mechanical services for a new military vehicle testing laboratory in Surrey.

*

Air Europe, passenger airline, has awarded an engineering and maintenance contract worth £3m to **BRITANNIA AIRWAYS**. The contract starts next year when the Gatwick based airline takes delivery of five new Boeing 737-200 jets.

*

WEIR CONSTRUCTION, Coatbridge, has a contract worth £1m from BP Oil Company for the supply and erection of 47 timber frame executive bungalows near the Sullom Voe oil complex in Shetland. Designed by BP to blend with local cottages, the homes are being manufactured in timber frame kit form, and include carpeting. BP has requested standards of insulation akin to those of Swedish designs. External finish is in roughcast, with traditional slated roofs.

*

WEIR CONSTRUCTION, Coatbridge, Glasgow, has been awarded a contract, valued about £40,000, by Paterson Construction of Bedlington, Northumberland, for the supply of timber frame house kits to replace 30 existing pre-fab type houses in the Valley of Dene at Chopwell.

*

British Steel Corporation has given a £55,000 contract to **GRADWOOD**, Stockport-based engineers and manufacturers of ventilating equipment to remove fumes at the soaking pits bay at the Shotton works in the corporation's Welsh division.

*

CRONE AND TAYLOR, of St. Helens (a member of the Worsley Group of Engineering Companies) have been awarded a £200,000 contract by Steetley Minerals for the supply and installation of a rapid loading station at the company's Thrislington Quarry near Carnforth, Co. Durham.

INTERNATIONAL FINANCIAL BULLETIN

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

BONDS & RAILS—Cont.

AMERICANS

S.E. List Premium 37¾% (based on US$1.9844 per £)

Conversion factor 0.7277 (0.7321)

CANADIANS

S.E. List Premium 37¾% (based on $2.3020 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

FINANCIAL TIMES

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INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

June	Dec.	Messina R0.50	64	12.12	tQ30c	1.9	‡

MISCELLANEOUS

—		Barymin	43	—	—	—	—
—		Burma Mines 17½p	14½	5.75	—	—	—
Aug	Feb.	Cons. Murch. 10c	185	7.1	tQ30c	2.6	‡
November		Northgate C$1	380	30.9	—	—	—
Jan.	June	R.T.Z.	231xd	30.10	9.5	2.8	6.1
—		Sabina Inds. C$1	43	—	—	—	—
—		Tara Expln. $1	025	—	—	—	—
Nov	July	Tehidy Minerals 10p	60	2.5	ϕ1.35	ϕ	2.5
October		Yukon Cons. C$1	142	15.9	Q7c	2.9	2.4

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents

Feb.	Aug.	Buffels R1	$11½	26.6	Q170c	1.8	17.0
Aug.	Feb.	East Drie R1	885c	26.6	tQ78c	1.7	10.2
Aug.	Feb.	East Rand Prp R1	410c	26.6	—	—	—
June	Dec.	F.S. Geduld 50c	$18½xd	30.10	Q315c	ϕ	19.6
June	Dec.	Pres. Brand 50c	$11½xd	30.10	Q150c	ϕ	15.6
May	Nov.	St. Helena R1	$20	2.10	Q190c	ϕ	22.0
Aug	Feb.	Stilfontein 50c	395c	26.6	tQ22c	2.3	6.4
Aug.	Feb.	Vaal Reefs 50c	$18¼	7.8	Q115c	3.3	7.3
Feb	Aug.	West Drie R1	$29⅝	26.6	Q385c	1.7	15.0
June	Dec.	West Hldgs. 50c	$22⅛	1.5	Q415c	ϕ	21.4
Feb.	Aug.	Western Deep R2	$10⅞	7.8	Q82.5c	2.4	9.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ■ "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ▪ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ϕ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albans Inv. 20p	26	
Ash Spinning	57	
Bertam	25	
Bdg'wtr Est. 50p	325	
Clover Croft	26	
Craig & Rose £1	605	
Dyson (R.A.)	37	
Ellis & McHdy	69	
Evered	20	
Fife Forge	52	
Finlay Pkg. 5p	21	
Graig Ship. £1	140	
Higsons Brew	73	−2
Holt (Jos.) 25p	252	
I.O.M. Stm. £1	178	
Nthn. Goldsmith	63	
Pearce (C. H.)	290xd	
Peel Mill	21	
Sheffield Brick	48	
Sheff. Refrshmt	66	
Sindall (Wm.)	112	

IRISH

Conv. 9% '80/82	£89	
Alliance Gas	93	−2
Arnott	340	
Carroll (P.J.)	95	
Clondalkin	90	
Concrete Prods.	135	
Heiton (Hldgs.)	49	
Ins. Corp.	182xd	
Irish Ropes	135	
Jacob	55	
Sunbeam	37	
T.M.G.	180	
Unidare	88	

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	12	Imps	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	6	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3½
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	4	"Lots"	4	Intereuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadburys	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons	10	Samuel Props.	9
Debenham	8	"Mams"	7	Town & City	1½
Distillers	15	Marks & Spncr.	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West. Bank	22	Charterhall	3
Gen. Accident	17	Do. Warrants	20	Shell	28
Gen. Electric	16	P&O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	5	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	25	Cons. Gold	14
Guardian	18	Reed Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

FINANCIAL TIMES

Monday November 13 1978

Auditors resist CBI recruiting campaign

BY MICHAEL LAFFERTY

A CAMPAIGN to recruit accounting firms as members of the Confederation of British Industry is meeting resistance from some of the country's leading auditors.

Deloitte Haskins and Sells and Coopers and Lybrand—two of the "Big Eight" firms—have turned the idea down flat. Peat Marwick Mitchell, the biggest UK firm, says it will not be joining. A similar decision is expected from Whinney Murray and Arthur Young McClellend Moores and, probably, Touche Ross. Only Price Waterhouse says it is still thinking about the invitation and a final decision is not expected until after a partners' meeting in two week's time.

Already, however, the CBI has recruited two large City accounting firms—Binder Hamlyn and Tansley-Witt — and hopes to number more prestige accounting names among its 15,000 membership in the near future.

Some leaders in the accountancy profession question whether it is appropriate for top auditors to belong to the employers' organisation, particularly when their professional reputation hinges so much on their independence.

A partner in Coopers and Lybrand, explaining why his firm would not be joining, said: "As a firm we have always tried to avoid any political involvements." A statement from Deloitte Haskins and Sells declared: "We will not be joining. We have always valued our independence." Similar sentiments were expressed privately by partners in other firms.

In contrast, Mr. Pater Lane, a partner in Binder Hamlyn, expressed surprise at these views. "The CBI is a powerful force of industrial thought. We thought membership provided us with the opportunity to learn something and contribute something."

Mr. John Warburton, responsible for the CBI campaign, said that all of the 9,000 accounting firms in the UK were potential CBI recruits. "We are the voice of business. By joining us accounting firms would gain the added influence of the CBI on their scene." He emphasised that this did not mean the CBI saw itself as an alternative to the "profession's own trade associations."

There are no rules banning accounting firms from joining the CBI. Mr. Paddy Moore, secretary of the Institute of Chartered Accountants' ethical committee, said yesterday that since accountants could already join the National Federation for the Self-Employed and local Chambers of Commerce "there seems no logical reason why *they should be banned from* joining the CBI."

The accountancy profession is not the only new area of CBI recruitment. The Stock Exchange is another. Already Kemp-Gee, Fielding-Newson Smith, and Cazenove have become CBI members, Mr. Warburton said.

Treasury and EEC to review exchange controls

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE UK's remaining exchange controls with the rest of the Common Market are to be reviewed later this month, during talks in London between the Treasury and EEC Commission officials. At present it looks unlikely there will be any significant further relaxation.

The pledge to undertake a review before the end of 1978 formed part of the agreement between the Government and the Commission last December, when certain limited relaxations of the controls were announced. This month's talks are completely separate from the negotiations on the proposed European Monetary System.

It is now officially estimated that last December changes may have resulted in an outflow on capital account of about £240m. this year, though this figure is subject to a considerable margin of error.

Given this reservation, the *abolition of the 25 per cent surrender rule* on portfolio investment in property and shares may have resulted in an outflow of about £200m, in view of what had been happening in recent years. This change applied to *the whole world and not just* the EEC.

The remaining sum is likely to be accounted for equally by the liberalisation of controls on direct investment, leading to a modest outflow, and the relaxation of controls on personal capital movements such as gifts.

The Government is unlikely to want to make any further changes, as Mr. Denis Healey, the Chancellor, indicated in his evidence to the Commons Expenditure Committee earlier this month when he remarked that the movement so far had been with "deliberate and gradual majesty."

The talks are likely to take place without some of the pressures of last year. The difference is that at the end of 1977 the Government faced a specific deadline which meant unless permission was obtained from the Commission the UK would have had to move, on January 1, 1978, to a total liberalisation of capital movements with the rest of the EEC. After some bargaining, the Government received authorisation *to continue controls with* the exception of the changes announced last December.

The authorisation to continue controls, granted last December, is indefinite but subject to a continuing review with a specific agreement *on* talks before the end of this year. This timetable is unlikely to slip and the Commission can, in theory, revoke the authorisation at any time.

The Commission officials are likely to be much more interested in direct rather than portfolio investment since the former has a clear impact on employment and output.

The UK will no doubt refer to what has happened in the last year and, unlike the second half of 1977 when the current account was in substantial surplus, officials will be able to point to the recent trend which has only been around balance.

THE LEX COLUMN

Crude calculations for oil shares

It's not often that a strike strengthens share prices, but *that is what has happened in the* oil sector since the curtailment of Iranian production at the end of last month. The firming has, however, been only in relative terms—the FT-Actuaries oils index has held steady since October 30, while the All-Share has dropped almost 3 per cent. And the news yesterday was that the strike is apparently coming to an end. Does this make the sector vulnerable again?

The answer partly depends on how quickly Iranian output can be pushed back up to normal. Quite apart from the political question of whether the oilfield workers will actually now run *the plant efficiently, it is bound* to take a number of weeks to get the non-producing wells back to full output. Last week the Western oil company consortium which produces most of Iran's oil, Iran Oil Participants, reported that output had been averaging 1.5m barrels a day in November against a normal daily average of 5m b.d. or so.

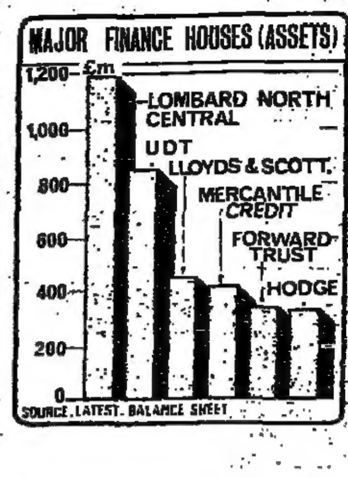
Crude prices

A *substantial* production gap will remain for the time being, during a crucial period ahead of the OPEC meeting next month to discuss a crude oil price rise. The rush by oil companies to stock up, at the very time at which Iranian supplies are running short, has led to a sharp rise in spot prices, with market crude, for instance, selling for something like \$14 instead of the official \$12.70 per barrel. In the North Sea, spot Ekofisk crude now fetches around \$15 a barrel.

Similar movements have been taking place in some product prices. A star performer here is gasoline, for which demand in Europe has risen something like 5 per cent over the past year. Retail prices have been climbing on the *Continent*, and the latest attempt by the majors to reduce retail discounts on gasoline in the UK looks much more likely to succeed than earlier efforts. With Rotterdam prices up sharply, the independents no longer have access to cheap supplies and the competitive power has returned to the majors. On the other hand, at the heavier, fuel oil end of the barrel there remains a serious glut, and the picture in petrochemicals is indifferent.

The third quarter results from the Royal Dutch/Shell Group on Thursday will provide *a good indication* of whether the tide has actually turned. Some analysts have upgraded their net income forecasts to the region of £350m before the FAS 8 adjustment, significantly ahead of recent quarters, on the view that downstream margins have improved. The threatened rise in the OPEC crude price could cut margins again (though producing some temporary stock profits) but not if the supply/demand balance remains upset by problems in Iran. And for BP, at least, a large rise in the oil price would be clearly bullish, given the impact on the profitability of *its Alaskan and North Sea pro*duction operations.

The arguments are not always totally consistent, but after two years in which oil shares have lagged the equity market as a *whole the oil analysts are begin*ning to feel that the sector is about to show its countercyclical paces once again. On past experience, however, sterling will have to look weaker *than it does at present before* investors turn eagerly to oil shares.



UDT's vicious circle

*The recent steep rise in in*terest rates must come as a bitter blow to Britain's finance houses and, in particular, to the second largest—United Dominions Trust. UDT has been supported by the Bank of England "lifeboat" for nearly five years now and just as there seemed to be some light at the end of the tunnel, interest rates have been jacked up to levels which will badly dent the profitability of its fixed rate lending and further delay its full recovery.

Indeed, UDT is becoming an increasing embarrassment both to the authorities, who would like to disband the lifeboat, and *to the* clearing banks that are still providing UDT (via the lifeboat) with around a third of its funds. The banks, in particular, are irritated by the fact that they are still being required to support an institution which is aggressively competing with their own finance house subsidiaries, especially now that the corset is limiting their own lending. As one competitor put it, "UDT is effectively getting *five year money at three month* rates."

Obviously, UDT is having to pay a premium for its support money but it is a guaranteed source and one or two competitors are suggesting that UDT is not trying hard enough to reduce its dependence on the lifeboat. After all it could be rid of the lifeboat tomorrow if it was prepared to cut back its business by a third. But UDT is still intent on remaining a major force in the field and the authorities appear to support the idea of an independent major finance house. Otherwise UDT would have been dismembered *a long time ago and its* lucrative instalment credit business parcelled out to the clearing banks.

So where does this leave UDT? It has just about sorted *out its loss making* overseas activities and made a good deal of headway in reducing its property involvement. However it *is not yet* earning enough profits *to finance* its own expansion and pay a dividend to its ordinary shareholders. In addition, by comparison with the only other similar large independent finance house, Lloyds and Scottish, it is undercapitalised. If it were to observe the same borrowing ratio as Lloyds and Scottish for example, it would need to increase its shareholders' funds by around £40m—which is roughly equivalent to UDT's current market capitalisation.

Its profitability is too low to enable it to improve its capital ratios, so it is unable to develop its business to raise its profits—something of a vicious circle. The *fall* in its share price to *35p from peaks of 48p* in September and 58p last year reflects the waning of takeover hopes as well as the recent approach of a credit squeeze. The most practical solution, as with Mercantile Credit, would certainly appear to be a clearing bank takeover. But it would be unlikely that, with a finance house of this size, the Monopolies Commission could stand idly by.

Textile towns send delegation to make Brussels jobs plea

BY RHYS DAVID, TEXTILES CORRESPONDENT

A DELEGATION from 13 local authorities in the North meets EEC officials in Brussels this week to express concern over continuing pressure on jobs in the textile industry.

The group hopes to meet Mr. Tran Van Thinh, a senior Commission official responsible for trade matters, and will press for stricter enforcement of EEC agreements on textile imports. *The delegation hopes Mr. Roy* Jenkins, President of the European Commission, will be present.

The 13 local authorities, supported by textile employers and union leaders, held a similar meeting in September with Mr. Edmund Dell, then Secretary for Trade, when they pointed to a 10 per cent drop in the past year in numbers employed in the Lancashire textile industry, from 77,000 to under 70,000.

They are likely to stress that *a considerable improvement in* the trading environment has resulted in those sectors where effective bilateral agreements have been reached with low-cost suppliers under the GATT multi-fibre arrangement, but that prob*lems remain where informal* arrangements were negotiated, as in the case of the EEC's Mediterranean associates and the Comecon countries.

Many of these informal arrangements run for only one year at a time, unlike the five-year multi-fibre agreements. The delegation will press both for tighter controls and stronger enforcement in any new agreements being worked out for next year.

● Elsewhere in the textile industry, Courtaulds, in conjunction with Leeds City Art Galleries, will sponsor a competition with prizes worth £5,000 for full-time students of art and design and for designers who completed their full-time courses in 1977 and 1978.

The results will be announced in October, 1979. Leeds will hold an exhibition of the winning entries in its art galleries later in the year.

The competition is built round three Courtaulds fibres.

Gaullists urge curb on European Parliament

BY ROBERT MAUTHNER PARIS, Nov. 12.

THE GAULLIST RPR Party, the largest member of the ruling French coalition, tonight adopted a tough resolution calling upon the European Council to make it clear that a directly-elected European Parliament will not be given additional powers.

The resolution, which was passed by an overwhelming majority, was adopted after a day-long debate by a special congress of the party on its European policy, during which M. Jacques Chirac, the Gaullist leader, and other members of the party's executive stressed that the Gaullist movement remained as hostile as ever to supranational institutions.

The discussions nevertheless showed that the leadership had made great efforts to find a compromise on the thorny issue of direct elections. Even M. Michel Debre, who was prime minister under General de Gaulle, and who has spearheaded the campaign opposing European elections, seemed resigned to a directly elected parliament, but only on condition that its powers were clearly circumscribed in legal texts.

Both M. Chirac, whose views on *the subject have all along been* more moderate than those of the hardline opponents of direct elections, and M. Debre emphasised that the Gaullists refused to be imprisoned by woolly minded idealists in an anti-European ghetto.

The Gaullists, they claimed, were more ardent Europeans than *anybody*, but they remained firmly wedded to General de Gaulle's policy of a Europe of nation states, entirely independent from other power blocs.

M. Chirac said the debate on direct European elections had *taken place in a fog of con*tradictions which had to be clarified. The French Government was the only one which pretended that the election of the European Parliament by universal sufferage would not make *any difference to its powers.*

Not only the smaller European nations—such as the Netherlands, Belgium and Luxemburg—but even Herr Helmut Schmidt, the West German Chancellor, were on record as saying that direct elections were the first steps towards an extension of the European Parliament's powers in the long run.

The Gaullist leader said he could only admire the typical mixture of "humour and pragmatism" which governed Britain's attitude towards direct European elections.

Scandinavia to oppose air deal

BY LYNTON McLAIN

SCANDINAVIAN countries are expected to resist an agreement with Britain for more competitive air srvices during talks *starting in London today.*

Earlier talks between Norway, Denmark, Sweden and the U.K. broke down in Copenhagen last month. No progress was made either at talks in London in August or in Oslo in June and *the prospect of further failure* is viewed with concern in Whitehall.

The existing air services agreement between the three Scandinavian countries and Britain will end, at the request of the Scandinavians, *on December 31.* Failure to reach agreement would mean the end of scheduled air services between the two regions.

The need for a new agreement was precipitated late last year when the three countries protested about plans by the inde*pendent British Midland Airways* for regular flights between Birmingham and Copenhagen.

The proposal was abandoned, but the Scandinavian Airlines System (SAS) saw it as a threat to its operations.

Scandinavia wanted a new agreement restricting flights between Britain and the three nations to SAS and British Airways, the national flag carriers. It also called for a strictly limited number of routes *between major cities.*

In contrast, Britain wanted air services expanded, with fares reduced in line with the practice on other international routes, and more competition for the national carriers from independent airlines flying to and from a greater variety of *smaller, provincial cities.*

Trade Department officials also wanted the new air services agreement to include revised rules for charter flights and an end of the so-called fifth freedom rights of Scandinavian charter *airlines. The rights enable a* Danish company, for example, to fly between Sweden, Norway and Britain, as well as between Denmark and Britain.

Continued from Page 1

IATA

should not make that order final and binding.

Mr. Hammarskjoid says that this "poses the threat of new and extended concepts of sovereignty in the fild of international air transport relations

"The U.S. anti-trust laws are far-reaching in scope and effect, and once brought into play, could be deemed unilaterally by U.S. Courts to extend to any co-operative actions by the airlines, even if not directly affecting traffic to and from the U.S.

"The potential disruption in airline operations, through possible exposure to criminal and civil litigation, could undoubtedly rebound on the travelling public through disrup*tion of air services.*"

Turning to profitability, Mr. Hammerskjold says that, while world airline passenger traffic has grown at a relatively strong 10 per cent over the past year, the airlines' financial results have improved only marginally.

The airlines' collective profits *target of about 8 to 9 per cent of* revenues from scheduled international services had not been achieved. Profits amounted to only about 1.7 per cent before tax

Continued from Page 1

Monetary system

intervention mechanism than the UK supports, and after the refusal of six of the Nine to agree to any substantal increase in the transfer of resources from richer to poorer members of the EEC.

As part of the longer-term studies on resource transfer, a new report from officials of the EEC Economic Policy Committee merely noted that the monetary system "could pose some problems to the less prosperous member-countries."

However, six members believed that "no extensive additional transfers are necessary to underpin the stability and viability" of the system. The UK, Ireland and Italy said that a "substantial increase" in transfers was "absolutely necessary" if all countries were to join.

A formal decision will not be taken by the Cabinet until about the end of the month, after further EEC meetings, in spite of what Mr. Healey has described as the "Government's serious doubts about the wisdom and durability of the arrangements at present favoured by some of our European colleagues."

The Commons will debate the issue in a week to ten days' time.

The final statement of the British position may differ *slightly* in wording from the main points now expected after further talks in the EEC. It is possible that Italy and Ireland may make a similar statement.

The Prime Minister and Mr. Healey have swung against entry *primarily because of fears that* the pound might be lower inside the scheme than outside.

These somewhat paradoxical doubts rest on fears that if the UK joined without devaluing, pressures might develop leading *to speculation and a devaluation* later in the year.

Ministers believe that a fall in sterling would be unwise electorally, and harmful to the counter-inflation strategy.

Weather

UK TODAY

MAINLY DRY with sunny spells. Scattered showers in the North.

London S.E., Cent. S. England, E. Anglia, Midlands

Sunny spells and scattered showers. Max 11C (52F).

E., N.E., Cent. N., S.W. England, Channel Islands, S. Wales

Sunny intervals with early showers. Max 11C (52F).

N. Wales, N.W. England, Lake District, Isle of Man, Borders, Moray Firth, Highlands, N.E. Scotland

Dry with a few showers. Max. 10C (50F).

Outlook: Mainly dry with sunny intervals. Rain at times in the North.

BUSINESS CENTRES

	Y'day Midday	°C	°F		Y'day Midday	°C	°F
Amsdm	S	4	39	Madrid	C	9	48
Athens	S	16	61	Manchestr	F	12	54
Barcelona	F	18	64	Melbourne	C	14	57
Belfast	R	11	52	Milan	S	6	43
Belgrade	C	1	34	Montreal	C	10	50
Berlin	C	1	34	Moscow	S	2	36
Birmghm	C	11	52	Munich	C	0	32
Bristol	C	13	55	Newcastle	C	9	48
Brussels	S	11	52	New York	S	16	61
Budapest	C	1	34	Oslo	C	3	37
B. Aires	S	23	73	Paris	S	9	48
Cairo	S	22	72	Perth	S	18	64
Cardiff	R	12	54	Prague	C	—1	30
Chicago	S	16	61	Reykjavik	Sn	0	32
Cologne	S	6	43	Rio de J'o	S	31	88
Copnhagn	C	7	45	Rome	S	17	63
Dublin	R	13	55	Singapore	S	31	88
Edinbrgh	F	12	54	Stockholm	C	5	41
Frankfurt	C	1	34	Strasbrg	C	1	34
Geneva	C	3	37	Sydney	C	16	61
Glasgow	C	12	54	Tehran	C	8	46
Helsinki	C	5	41	Tel Aviv	F	19	66
H. Kong	C	22	72	Tokyo	C	14	57
Jo'burg	C	23	73	Toronto	C	10	50
Lisbon	C	12	54	Vienna	C	0	32
London	F	13	55	Warsaw	C	0	32
Luxembg	C	—1	30	Zurich	C	0	32

HOLIDAY RESORTS

	Y'day Midday	°C	°F		Y'day Midday	°C	°F
Ajaccio	S	19	66	Jersey	C	12	54
Algiers	C	19	66	Las Plms	S	23	73
Biarritz	F	19	66	Locarno	S	12	54
Blackpool	C	12	54	Majorca	S	20	68
Bordeaux	S	14	57	Malaga	S	15	59
Boulogne	S	7	45	Malta	F	18	64
Casablnca	S	20	68	Nairobi	S	24	75
Cape Tn	S	26	79	Naples	S	14	57
Corfu	S	16	61	Nice	S	19	66
Dubrovnik	S	13	55	Nicosia	S	20	68
Faro	F	18	64	Oporto	R	14	57
Florence	S	11	52	Rhodes	S	18	64
Funchal	F	21	70	Salzburg	C	0	32
Gibraltar	S	19	66	Tangier	S	22	72
Guernsey	C	12	54	Tenerife	F	19	66
Innsbruck	S	9	48	Tunis	S	20	68
Inverness	C	12	54	Valencia	C	16	61
Is. of Man	C	12	54	Venice	S	12	54
Istanbul	C	10	50				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Sn—Snow.

Computers 'will lift jobless total to 2.5m'

BY MAX WILKINSON

INTRODUCTION OF new computing techniques is likely to raise unemployment in the UK to 2.5m or 3.5m says a confidential report commissioned by the Department of Industry.

The report, which has not been published, is also strongly critical of the Government's failure to draw up an adequate policy for the computing, telecommunications and electronic industries.

It says there is a *grave risk* that more vigorous and better integrated policies for the sector in other countries, including Japan, France and West Germany, will lead to the U.K. being overtaken. This could result in a loss of jobs even worse than that to be expected in any case from increased computer-based automation.

The report, running to 283 pages, was commissioned by the Department of Industry's Computers, Systems and Electronics Requirements Board from Professor Iann Barron, of Westfield College, London, and Mr. Ray Curnow, of the Science Policy Research Unit at Sussex University. It is called "The Future of Information Technology."

Mr. Barron has recently become one of the founders of Inmos, the National Enterprise Board's micro-electronics subsidiary.

The report says that on the basis of its analysis, "we are probably contemplating levels of unemployment of 10 per cent to 15 per cent of the workforce

"Such a level is roughly that of the peak of the 1930s depression, but with the difference that today's society is more highly organised."

It says that in a wide range of industries jobs will be lost as a result of the spread of computers, particularly microcomputers. It adds: "It is hard to envisage new products, whether consumer or capital goods, which are of sufficient volume and value to absorb the labour displacement put forward in the report, at least in the same time-scale."

According to the report, the types of *labour* under the greatest threat are assembly workers, repair and maintenance workers, people with low clerical skills, and even highly skilled clerical workers who rely on rote memory. The report adds: "Obviously lack of competitiveness in a UK firm compared with an overseas competitor in an open market would affect all categories of labour."

The main criticism of the Department of Industry centres on what the report describes as a failure to understand the consequences of the convergence of telecommunications, computing and more general electronic techniques. The report says all these sectors are becoming part of a single "information technology."

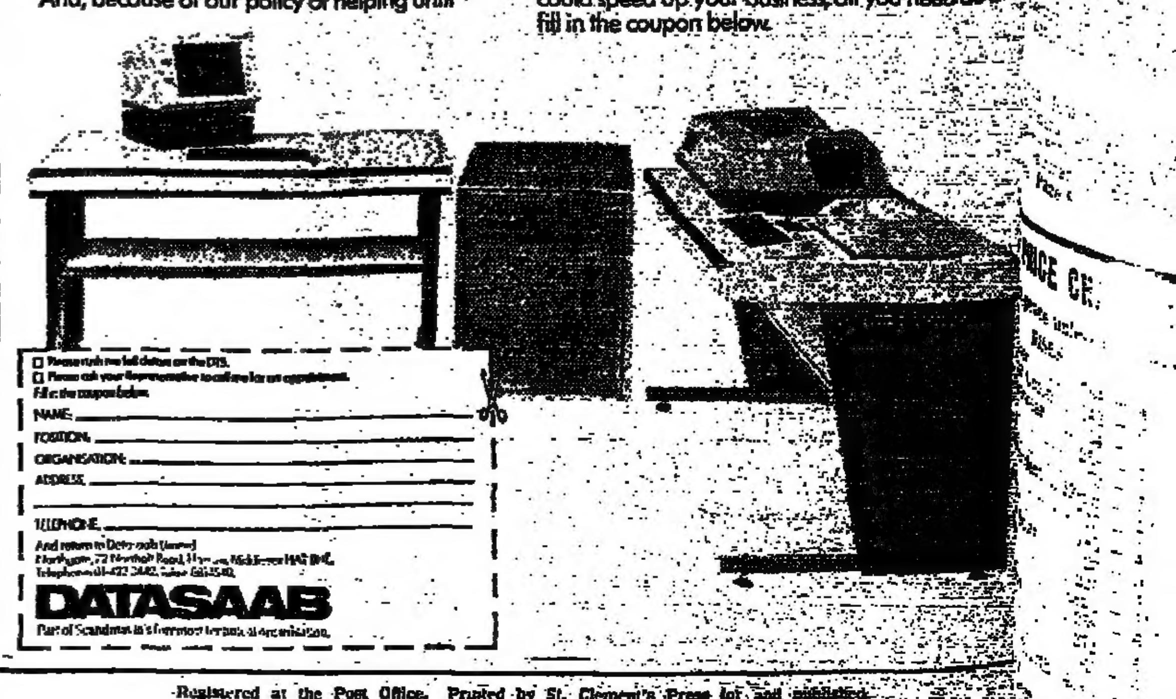
"The reduction in cost of this technology means that its use will be *pervasive*, extending throughout commerce and industry with far greater impact on the individual than has been the case in the past."

A new policy is needed, the report says, not merely to coordinate activities in the three aspects of information technology, but also to ensure that they are properly integrated and that arbitrary barriers are removed.

One of the practical consequences it suggests should be an important change in the role of the Post Office. As the major force in telecommunications strategy, it should be more closely integrated with a national policy for the whole of the electronics industry.

The report is strongly critical of the Post Office's slowness in developing computer-based techniques in telecommunications. It says the Post Office failed to exploit a world lead which its laboratories obtained in "packet switching" techniques for enabling computers to communicate with each other.

It also expresses doubt about the Post Office's ability to carry through its present programme for the development of System X, its new computer-controlled telephone exchange system.



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